SEPTEMBER 1958

The Mortgage Banker

Chicago: a familiar and favorite MBA Convention locale, and site of our forthcoming 45th annual meeting in November. Among those who will speak, from left to right, are: The Honorable John Sparkman, Senator from the state of Alabama; William A. McDonnell, President, Chamber of Commerce of the United States, Washington, D. C., and Chairman of the Board, First National Bank in St. Louis, St. Louis, Mo. Julian B. Baird, Under Secretary of the Treasury, Washington, D. C.

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in this issue — — — — — — — — — —

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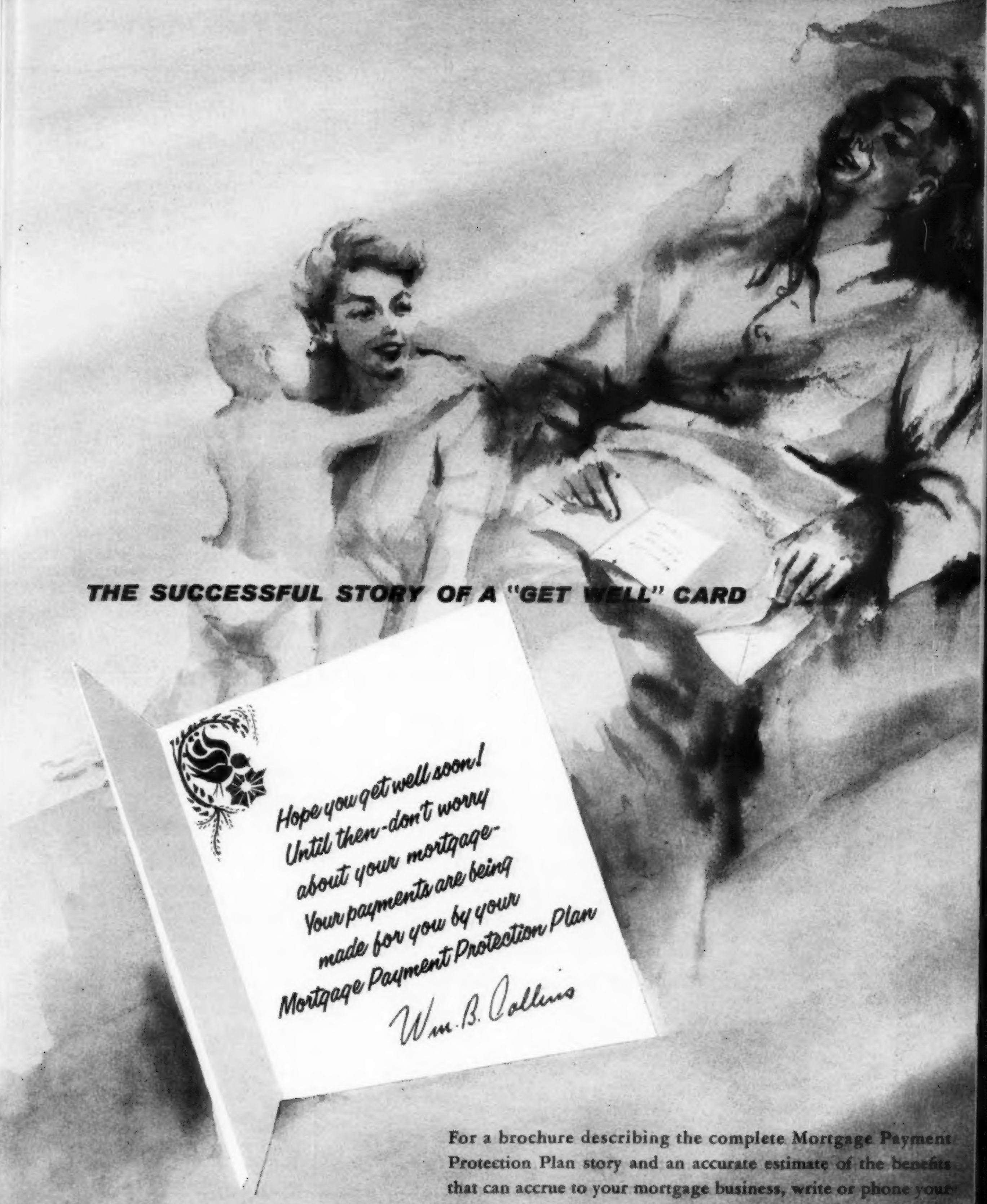

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MBA Calendar

November 3-6, 45th Annual Convention, Conrad Hilton Hotel, Chicago

Standardization in Forms Progresses

A long-sought and much-desired objective for the mortgage industry—a greater standardization of forms and procedures used in investor-correspondent relationship—is making important headway, as evidenced by the success of the latest project to emanate from MBA. It is the standard residential appraisal report for conventional loans developed by the Conventional Loan Committee headed by Dale M. Thompson of Kansas City. In format, it corresponds to the real estate loan application form introduced more than a year ago and contains all the items of information which investors require. Made available less than three months ago, the appraisal report is already in wide use by insurance companies, banks and correspondents. Many insurance companies have advised their correspondents and appraisers to adopt this convenient and adaptable form.

Use of the standard real estate loan application form is likewise growing steadily. The earlier form in this series, the personal financial statement, has also gained wide recognition because of the manner it enables a concise compilation of the information needed about the borrower.

"As helpful as these three projects have been for a more efficient relationship between correspondent and investor, there remains much to be done in achieving the desired degree of standardization," said President John C. Hall. "As these forms become better known and as their benefits become obvious from actual use, they will emphasize the continuing need for further progress in the field of simplifying our lending procedures," he said.

Page 41 of this issue carries an announcement of these various forms, as well as of the FHA Payment booklet, and gives complete details as to how they can be secured.

The Mortgage Banker

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Volume 18 **SEPTEMBER, 1958** **Number 12**

Contents

Living concrete in integrally colored 2"-high split block

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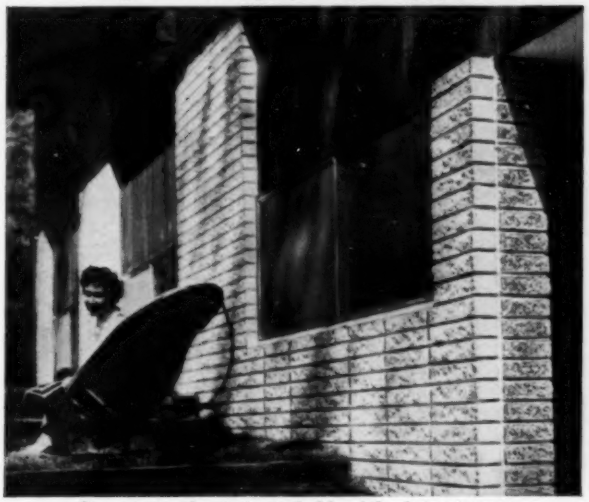

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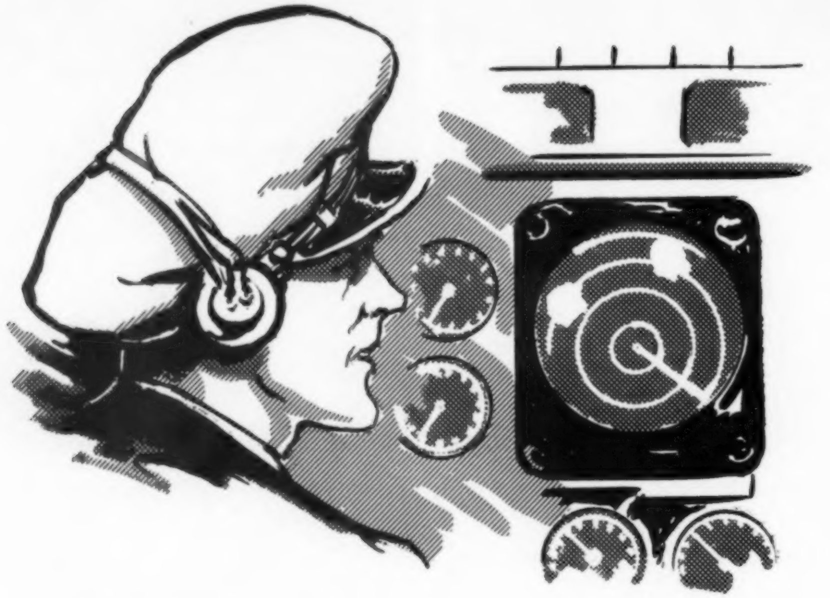

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REAPING INFLATION'S HARVEST

To dally with mild inflation as a way of economic life is dangerous, Dr. Nourse warns. "The current recession," he points out, "is making ever clearer the nature of the harvest that grows from the bad seed of inflation doctrines and practices. It is showing how inflation overstrains a boom and aggravates the ensuing recession." This noted economist, in viewing the recession versus inflation dilemma, agrees that the confidence bred by the expectation of continuing inflation is, up to a point, a needed stimulant for any progressive enterprise economy; but this very confidence may in turn breed an over-confidence which dulls the edge of managerial efficiency and leads to speculative excess.

By DR. EDWIN G. NOURSE

Former Chairman, the President's Council of Economic Advisers, before the National Conference for Keeping America Strong, Washington, D. C., June 20

A YEAR ago I argued that seeds of inflation were sown in the soft-money policy which prevailed for some years prior to the Federal Reserve—Treasury "accord" of March, 1951; in the tax reduction of May, 1948; and in the price-wage leap-frogging that characterized the 1946-'57 period of easy-going boom. It was not my intention, by so arguing, to make women faint and strong men shudder at the prospect of runaway inflation, worthless paper money and national collapse. However, the simple arithmetical fact remains that even a "creeping" inflation of 2 per cent a year just about cuts the dollar in half in a single generation. I might add that some of those gentle souls, who urge us to adopt this innocent creeper into our hearts and homes, exhort us not to worry even if, with a little more pabulum and wheaties, he becomes a toddler whose speed is clocked at 3 or even 4 per cent. Such rates, however, obviously erode the dollar just that much faster—presumable even at a geometric rate.

Moving to a new postwar price level in the latter '40s was both necessary in the train of wartime developments and salutary in a free enterprise economy. But slipping into inflation as a way of life was neither necessary nor compatible with the long-run health of the economy. Needlessly undermining the value of the dollar jeopardizes the sustained growth of production and real consumer purchasing power.

For myself, I still stand firmly with that school of professional economists (and it appears to me to be now the majority group) who take inflation seriously as both an insidious and a persistent threat to a dependable pattern of long-run posperity and national growth. And so, it behooves us, now, to move on from consideration of the way in which seeds of inflation have been sown to an examination, in the light of unfolding events, of what manner of harvest these seeds are producing.

The current recession is making ever clearer and clearer the nature of the harvest that grows from the bad seed of inflation doctrines and practices. It is showing how inflation overstrains a boom and aggravates the ensuing recession. We are learning that the great fiscal and monetary powers of government which might have been used to prevent a cyclical downturn are not cures in time of recession but merely palliatives—and dangerous ones at that.

Last June, 1957, the general public was pretty complacent about the question of inflation. It was hard to arouse them to action or even to a sense of prudent concern for the future. The country was still zipping along on a pleasant highway of apparently invulnerable prosperity: why worry? This *insouciance* was fortified by assurances from the highest quarters that, if some downturn should appear,

the government had at its disposal the means of checking or reversing it and that it possessed the skill and the determination to use these weapons decisively and at the proper time.

But now, one year later, both this promise of the Administration and the premise on which it rested are being put to a searching test. The economy is now tasting the realities of a recession which brought the index of industrial production down from its peak of 147 (December 1956) to 126 (in April 1958)—almost 15 per cent, of which 12½ per cent has occurred since last August. Unemployment is up from its 1953 average of 1,870,000 to 5.1 million—or 7 per cent. The labor unions, the ADA, the most vocal of the Democrats and a good many worried businessmen are calling on the government "to do something" to end the recession or, if their real wish were fulfilled, to restore the boom.

This presents a cruel dilemma both to an Administration in power (if any) and to a loyal opposition desirous of consummating a position of unequivocal authority (and responsibility) in 1960. Shall we move vigorously to activate the economy—"damn the torpedoes and full steam ahead" with massive government spending for intercontinental missiles, space ships, large helpings of local "pork" and an adequate catching-up program on roads, schools and slum clearance? Shall we lower taxes in such ways as to give relief primarily to low-income people, take 3 or 4 million of them off the tax rolls and make their eventual return to participation in the cost of preparedness and foreign aid, as well as domestic welfare, the occasion for a political battle of dubious outcome? Shall we, on the other hand, grant multi-billion dollar tax relief primarily in the form of investment incentives to corporations and high-bracket income receivers? Turning to monetary powers, shall we "flush the market with liquid funds" in the belief that this will start a tidal wave of inventory building and consumer buying—particularly of still bigger, more garish and more expensive automobiles?

The use of these fiscal and monetary weapons in some reasonably sensible combination to combat recession would, no doubt, whip up the lagging economy back to a faster, possibly

even a generally satisfactory, pace. It would get us off the under-employment horn of the economic dilemma. But it would impale us solidly on the inflation born of this same dilemma —that of a free enterprise economy seeking to maintain full employment.

It would enable the labor unions to win larger increases in basic wage rates, as well as more liberal fringe benefits. It would enable management to raise prices to offset labor cost increases; upgrade the elaborateness as well as the utility of their products; and enlarge profits, plowback and dividend disbursements. The government, of course, would then have to raise civilian and military pay further and appropriate an extra million or so for each ballistic missile and, say, an extra billion for industrial subsidies and farm parity.

The boy called "Cost Push" would meet the girl called "Demand Pull," and they would demonstrate anew the monetary fecundity of institutionalized inflation. It would be a confession of defeat to our hope of demonstrating to the Kremlin that under our free enterprise system employment and consistent economic growth can be linked to a stable dollar.

This recession or inflation alternative presents a dilemma not merely for the government or the economy as a whole but, in specific terms, for business executives and for labor leaders. As for management, it is faced by the dilemma of reducing prices and profit margins versus curtailing operations and facing the wrath of consumers and workers as well as stockholders. It may be faced even with anti-trust suits or Congressional investigations. Labor leaders are confronted with the question: shall we try to protect members' purchasing power by forcing wage raises to offset cost of living increases and shorter hours, only to find ourselves impaled on rising unemployment, smaller receipts from union dues and loss of union membership?

Reaping the harvest of inflation is a modern illustration of the parable of the tares as told in the Gospel According to St. Matthew, Chapter 13. "While men slept an enemy came and sowed tares among the wheat," and the problem was presented of how to eradicate the weeds without destroying the good grain. The simple solution of letting both grow and be harvested together and the weeds then separated and burned does not, however, meet our present dilemma. We cannot enjoy the full stimulating effects of universal price and income boosting and then neatly eliminate the deleterious fruits of inflation. In fact, our problem is much more subtle and difficult than separating things unequivocally good from others that are palpably bad. It is rather an issue of degree and differentiation.

Some prices should go up and some go down even when the general price index remains practically stable. In-

comes should rise and fall in differing degrees and with changing conditions, not be frozen in a fixed uptrend. Price rises to spur production at points of scarce supply are good, but they need to be followed by letting competition lower prices as the scarcity disappears and even threatens a glutted market. Wage rises are good when they keep step with rising efficiency and give purchasing power to take enlarging product off the market. But they need to be limited to actual advances in labor productivity, not cause labor costs to eat up profits or a rising flood of dollars to outrun a slower flow of new goods. The rigidities of price maintenance and formula wage increases is what causes a harvest of inflation to grow out of a belief that raising aggregate money demand is the way to produce a bumper crop of prosperity under any and all circumstances. In fact, counting on government to invoke money magic to make employment full enough to satisfy everyone, and the dollar so steady that no one is discommoded, is the most dangerous aspect of popular thinking today. To rely on inflation is like living on "dope."

It is a widely accepted saying that men live by faith. This might be paraphrased to read: The economic man lives by business expectations. That is to say, he embarks on enterprises, commits himself for investments, enters into wage contracts, arranges his financing and shapes his price policies according to his best judgment of the future behavior of the price system. These calculating businessmen (and the more intuitive consumer, too) have read the handwriting on the wall since World War II, and particularly since the Korean War, as proclaiming that we have accepted inflation as a way of life. Naturally, they try to adapt their operations to that fact. They try to protect themselves from being harmed by inflation or, if possible, turn it to their personal advantage.

There have been several steps to the process by which inflation has become a premise of business administration. First, there was considerable suspicion that the Employment Act of 1946 implied it. Second, in the late 40's and early 50's, the public discerned a marked tendency of the Congress to respond to special pressures and general cravings to keep spending up and taxes down to where life would be easy for their constituents. Third, it was observed that the Federal Reserve System conceived its function and measured its powers in terms of keeping commercial credit orderly at any given level of prices rather than dictating the price level. Fourth, employers learned that wage raises and fringe benefits were the price of labor peace and high morale for workers. Fifth, they found that under an elastic money system and full employment conditions it was possible to pass on cost increases and even fatten the mark-up without loss of volume — indeed with the overcapacity operation that made further expansion look attractive and safe.

In a word, the expectation of continuing inflation became a major factor in the planning and operation of industrial, commercial and financial business executives. This breeds confidence which, up to a point, is a needed stimulant for a progressive enterprise economy. But confidence based on inflation prospects breeds an over-confidence which dulls the edge of managerial efficiency and leads to

speculative excess. If the purchasing agent is convinced that prices are in a persistent uptrend, he will keep inventories fat rather than lean. The more apprehensive he becomes, of price rises, the more his buying contributes to their continued rise. The same tendency shows up in plant building. Executives who see construction costs mounting tend to make expansion and improvement plans that anticipate a considerable period of future growth.

The automobile industry built capacity for 8 million cars, the steel industry leaped ahead to 141 million annual ingot tons, and aluminum, paper and chemicals did something similar. Now the automobile companies are reaping the harvest of inflated capacity and inflated prices on a 4.5 to 5 million car sale, and the steel companies are looking to another price increase to enable them to break even on about 50 per cent operation. These boom-built plants are not "excess capacity" so much as they are capacity built prematurely because inflation was written into the business expectations of industrial executives. But it should be noted that the pressure this new construction put on the steel and other supply markets and on the labor force was a significant factor in creating the inflation they were trying to evade.

A third illustration of how the settled expectation of inflation leads to a harvest of speculation is found in the stock market. How often has the uprush of common stock prices been explained or fostered by the argument that common stocks are a good hedge against inflation. During the market bulge of last summer, even as the production and employment indicators were beginning to signal a downturn, I got market letter after market letter recommending the purchase of "equities" as the best way to protect oneself against a declining dollar. Again, after the lull in business of this first half-year, talk of government's recovery measures brought a new boom in common stocks. One so-called "security analyst" gave the public this advice not too long ago: "The basic risk of being caught in an inflationary spiral with too few stocks is probably weightier than that of enduring a temporary dip with too many. If the spiral develops and you have too few, you will then buy in at too high a price and be in a position to be really hurt." Another stock market dopester puts the same idea this way: "Government spending is heading upward. There are indications of easier money and subsequent inflationary implications." This sort of inflation thinking seems clearly to be back of the expanded volume and soaring prices on the New York Stock Exchange. A look at earnings-price ratios shows common stocks already selling at a near-record low in proportion to earnings and earnings prospects.

Similarly, land is being promoted as a hedge against inflation. Inflated land values yield a new harvest of troubles for agriculture and also for the housing industry, where the prospective home builder or area developer must compete with the speculative buyer or holder of land as a hedge against inflation. Here it should be remembered that, while the smart individual or the informed groups can protect themselves for a time against inflation in its early stages, and even scalp a short-run profit by converting eroding dollars into land titles or share certificates, this soon defeats its own purpose. When the general public gets the signal and starts mass hedging, a "flight from the dollar" will have begun and creeping inflation turns into runaway inflation.

We have already seen signs of two of the dangers that beset the path of those who dally with mild inflation as the way of economic life. We have witnessed periods of outflow of our gold reserves and have heard the siren song of our free-world allies

urging us to devalue the dollar—or raise the price of gold. Thus far we have escaped these dangers, but if we are to make our position secure we must show our ability to make self-sustaining adjustments in the price-income structure of the market place.

Last fall Richard Gray of the Building Trades told his people: "We have pushed wages up to where houses cost so much that other workers cannot buy enough houses to keep us employed. Let's not aggravate this situation by boosting our rates still more in the coming year." He did not dare suggest a roll-back—just a standstill agreement. But he was bowled down by the unions of his group and publicly repudiated by George Meany for the whole labor movement. Management in the automobile industry has already expressed willingness to agree to two more years of double-barrelled wage escalation and some "fringe" concessions. At the same time, the auto companies cannot see anything besides higher-priced and more glamorous cars as their contribution to the restoration of prosperity and economic stability. The steel industry's contribution in this direction has been a price increase of some $6 a ton, with the non-ferrous metals counting on further stockpiling to buttress their prices.

I believe the President has acted wisely in defense of our private enterprise system in declining to enter into even stalemated situations between the manufacturer and the consumer or between management and labor. But the public will not tolerate any very deep or long-continued general unemployment as the consequence of our substitution of inflation for sound market adjustments. What will happen then?

This brings us to consideration of still another alternative—and in my judgment a grim one for free America. When the seeds of inflation sown in union wage policy and corporation price policy and finance policy, fertilized by soft money and deficit spending in prosperous times as well as recession, produce the weeds of an unstable economy instead of the nourishing grain of prosperity, specific or selective price and wage controls are sure to be proposed. This is one of those things that looks awfully simple in theory but proves simply awful in practice. Our whole price system constitutes a delicate, interrelated set of trading relationships. Change one price or income situation and a chain reaction is immediately set up that produces demands for compensating adjustments at myriad other places. OPA and OPS demonstrated to any reasonable man's satisfaction that even in the emergency of war such a control system very soon bogs down.

It is the rigidities of prices and wages, "administered" at large private centers of economic power, that are largely responsible for the built-in inflationary bias of our present economy. Probably a government price-control system would soon prove not to be serving its avowed anti-inflation mission, but would actually aggravate the inflationary trend—that being the line of political least resistance.

If I may return to the parable of the tares, the servants proposed to go into the growing field and pull out the weeds. But the householder replied: "Nay, lest while ye gather up the tares, ye root up also the wheat with them." A government price and wage control agency as a remedy for inflation would not merely demoralize the processes of the contemporary

market; it would impair the very system of free competitive enterprise on which we must ultimately rely for sustained growth and stability of the economy.

This is no fanciful danger in our present situation. President Eisenhower, himself, at one of his press conferences, has said:

"I would deplore any attempt to fix—in times of peace—wages and prices. I believe we are, to that extent, deserting some very long-term principles that are good for this country. But when you get up against people like this, they begin to believe it is an emergency, then something might have to be done, but I am certainly not ready to predict it now."

I was astonished during the hearings of the Joint Economic Committee to note the number of witnesses who, after recognizing the threat to sustained full employment which stems from inflation, proposed the setting up of one sort or another of wage, price or investment stabilization commission or authority. Is it possible that the harvest of inflation will be economic authoritarianism?

In a word, then, the harvests an economy reaps, when it persists in sowing the seeds of inflation, are easy overconfidence, loose management, perpetuation of business cycles, increasing reliance on central government to activate business, increasing temptation to resort to direct controls.

» **FARMERS' WORTH:** The worth of the nation's agricultural establishment, as measured by the U. S. Department of Agriculture's valuation of the farm plant plus farmers' non-real estate assets, has gone up steadily with only transient interruptions for nearly two decades and is now heading for the $200 billion level.

Highlights of this trend are that total farm assets have increased almost three and one-half times in the period since 1940 while aggregate debt has only doubled. This gives an insight into the extent that agriculture has participated in the growth of the economy in the period. Government financial assistance to agriculture, which goes back many years, has been, since 1954, at a new high of about $4½ billion or more a year.

Data compiled by the Department of Agriculture estimate the total of farmers' assets at more than $186 billion in the early part of this year. This figure represented a gain of about $9 billion over the year before. The rise contrasted with the fact that farm assets declined in the two previous post-World War II recessions, those of 1949 and 1953-54.

Over 60 per cent of the worth of the agricultural establishment is in land and buildings, valued at more than $116 billion as of March 1 this year. The comparable figure in 1940 was only $33.6 billion. Much of the $82 billion gain in valuation of the farm plant in the 1940-58 period is, of course, a by-product of inflation and the fact that the dollar has lost more than half its buying power in the period.

However, other assets of farmers have likewise grown greatly. Non-real estate assets, consisting of inventories, machinery and household possessions, have gone up from just over $15 billion in 1940 to an estimated $51½ billion at the beginning of this year. The rise in financial assets in the period has been from $4.2 billion to nearly $19 billion. In line with this improvement, three out of four farm families now own life insurance protection.

Total farm debt, mortgage and non-real estate combined, was estimated at just under $20 billion at the beginning of this year as compared with $10 billion in 1940. Reflecting the greater rate of growth in financial assets in the period, farmers as a whole had 94 cents in cash or its equivalent for every dollar of debt at the beginning

of this year as compared with only 42 cents in 1940.

Another significant element in the agricultural picture is the fact that the number of farms has declined by more than a million in the 1940-58 period, from 6.1 million to 4.75 million. The valuation of farms in 1940 was reported at $53 billion; today it stands at more than $186 billion.

The following table gives the principal components of farmers' assets and liabilities (in billions of dollars) in selected years from 1940 to date:

Year	Land & Buildings	Other Assets	Total Debt
1940	$ 33.6	$19.4	$10.0
1945	53.9	39.2	8.3
1950	75.3	55.4	12.5
1952	96.0	69.3	14.6
1954	94.7	64.9	17.2
1956	102.7	65.5	18.9
1957	109.5	67.3	19.5
1958 (e)	116.3	70.3	19.9

(e) Estimated
Source: U.S. Department of Agriculture

» SAVERS SET RECORD: The number of savers in the United States has risen to a record high both in number and in proportion of the population, evidencing the deep hold of thrift on the people and the growing potential to save made possible by the big growth in average personal income levels in recent years.

Right now, for example, five out of every eight persons in the population are protected by life insurance which includes a savings element, a significantly larger proportion than was the case as recently as 1950. In addition large segments of the population have savings accounts, U.S. Savings Bonds, etc. A majority of American families have more than one form of savings.

While voluntarily protecting themselves and their dependents against economic hazards and saving for the future, the people have built up one of the great driving forces in the economy in their thrift institutions. It is the people's savings in these institutions that have become a major source of capital and investment funds in recent years for business and industry, home owners and Government, contributing greatly both to the growth of the economy and to the rise in living standards. Last year, for example, funds made available to the capital market from the various savings institutions represented 50 per cent of the year's total demand for credit and investment funds, according to estimates made by the Life Insurance Association of America.

Furthermore, the rewards of thrift as measured by the income yielded by private and public protection programs combined have become one of the great stabilizers in the economy. In 1957 these programs, led by life insurance benefit payments, contributed more than $25 billion to the nation's income stream.

An estimated 40 million persons, or 23 per cent of the population, owned $48.2 billion of U.S. Savings Bonds at the end of last year. There were an estimated 21.1 million members or investors in savings and loan associations at the end of 1957, practically double the number in 1950, with their proportion of the population increasing from 7 to 12 per cent in the period. Savings in these associations were $42 billion at the 1957 year-end versus $14 billion at the end of 1950. The number of credit union members was estimated at 10 million at the end of 1957, more than double the 1950 number, with assets of these institutions rising from $900 million to $3.4 billion in the period.

In the pension and retirement field, there were over 17.5 active and retired workers covered by insured and

(Continued on page 28, column 1)

A No-Housing-Bill Year and Its Meaning for Mortgages

Early this year when Congress was just convening and recession jitters in the capital were most acute, emergency housing legislation was passed—significantly, the first measure Congress acted upon to beat what was then thought might be a business downturn of major proportions. But by the time Congress was ready to quit recession fears had abated and the usual "comprehensive" housing bill had not been acted upon; and, in the rush to adjourn and because of many controversial reasons, no legislation was passed—first time this has happened in a decade. Nevertheless, it has been quite a year in legislation affecting housing and real estate financing. It is reviewed here by Vice President Walter C. Nelson as he did for members of the Savings Banks Association of Massachusetts at their Poland Spring, Me. Convention this month as well as for members of the Savings and Loan League of Minnesota. The past is behind us, the future is what is important. He sets forth here a four-point program for the future as a guide for the mortgage industry in a successful solution to the major problems which face us in the field of the government-sponsored programs.

By **WALTER C. NELSON**

Vice President, Mortgage Bankers Association of America
President, Eberhardt Company, Minneapolis

DURING the last session of Congress housing and mortgage credit received more than their usual full share of attention—and I cannot say I am happy about the experience we've been through. This may surprise those who know my predilection for looking on the brighter side of things; and it may surprise them too because it is quite clear that the legislative results might have been a lot worse.

Walter C. Nelson

On the face of it, we didn't come out so badly; and, by "we" I mean all those who are convinced that the maintenance of a sound private home mortgage credit system is among the stoutest bulwarks of individual liberty.

For the first time in a decade Congress went home without passing a "comprehensive" housing bill. What happened was that this time the omnibus got so overloaded that it just broke down. As a result, the year's legislative effort is confined to the so-called Emergency Housing Act that was rushed through the Congress last March and signed by the President on April 1, plus the $4.5 billion extension of the FHA insurance authorization, which—very significantly for the final result—was passed in June as a separate measure.

When one considers what might have been in terms of the massively extravagant bill passed by the Senate in early July and the even more prodigal affair that was reported favorably by the House Banking and Currency Committee about three weeks later, it is impossible not to agree that the outcome might have been a lot worse. Nevertheless, this does not make me altogether happy. I shall give my reasons.

First, the very thought of the "might have been" is enough to make one wince. The fact that it didn't happen is no cause for complacency. The realization that it was seriously considered, that it obviously represents the views of an influential group of members, on both sides of the aisle in both Houses, and that the composition of the next Congress will include additions to their ranks, is what we have to keep in mind. The struggle between limited and total government, in which our business seems to be a principal battleground, will be re-

newed next year; and the scales will be tipped more decidedly on the side of those who favor a governmentally dominated credit system. This is certainly cause enough for a somber view of the prospect.

The second reason that I am not pleased with this year's legislative results is that, mild as they are by comparison with what might have been, they do very little to strengthen a private home mortgage credit system. The most favorable action was the elimination of discount controls in the transactions between lenders and builders. This feature of the Emergency Housing Act was important—no question about it—though it still maintained the fiction that discounts are not passed on to the borrower even when they prevail over a long period. Builders and homebuyers may derive some benefit, too, from decreasing the down payments of FHA mortgages, as also was accomplished in the Emergency Housing Act.

Along side these rather limited advantages, we have to recognize that, taking it all in all, the year's legislation has dealt some serious blows to private credit and has refrained from providing some badly needed relief. Probably the most adverse action was that taken in the Emergency Housing Act under which FNMA was directed to buy, and to make commitments to buy, up to $1 billion of FHA and VA mortgages at par, with no stock purchase requirement imposed on the sellers. This is an out-and-out attempt to control interest rates by the devious method of a price support operation. The expansion of the VA direct lending program is another measure of the same sort. The continuance of direct loans for college housing at a subsidized interest rate is still another. Each year sees these encroachments carried further; and, under the guise of combatting a business recession, a more significant step was taken this year than usual. Never before have we had "special assistance" on such a grand scale. Never before has so serious a threat been offered to the private credit system.

The outstanding omission in the year's legislation—as we expected it to be—is the continued refusal on the part of both administration and Congress to face up to the interest rate issue. The ¼ per cent lift in the fixed rate on VA guaranteed loans was no more than a teaser to both borrowers and lenders. It still left prices on guaranteed loans 4 to 5 points below par at the most favorable point in the recent money market and it still kept many able borrowers from access to guaranteed mortgage funds. Why it is that the fixed-rate incubus is visited on mortgages and no place else in the investment world is impossible to rationalize. The fixed rate does no one any good—when it is below the market rate of interest; and when it is above it is meaningless. The narrowly fixed rate does not protect the borrower; it simply keeps him from exercising his own judgment. It restricts his access to funds and inevitably raises the cost of his house. It increases the builder's risk and narrows his market. It creates a major source of instability in the economy.

Yet the political devotion to this dangerous idol persists. It persists solely on the theory that, since the government stands back of the mortgages the government should be able to determine the interest rate on the mortgages. Yet the government stands even more directly back of its own bonds, without trying to control their rate of interest. In this case it has learned the folly of the attempt and has had to recognize the ultimate rule of the market. The lessons of this experience unfortunately have not been interpreted in terms of the market for insured and guaranteed mortgages to which they equally apply. Here the belief remains that an interest rate can be what some agency says it ought to be and that, even though the result is to thwart the purposes for which the related legislation has been enacted, some great principle has been vindicated.

So long as the supply of mortgage money is restricted by a fixed interest rate, it may be pointed out, little is to be gained from reducing down payment requirements and lengthening maturities. With the VA rate much below a workable level in most parts of the country, and the FHA rate teetering on the verge of acceptability, a liberalization in mortgage terms may increase the demand for funds but it cannot help the supply. It can only make a tight supply tighter and, as has happened this year, lead to overwhelming pressures for direct government support of an irrational situation.

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I am also regretful at the failure of Congress—after coming to the very brink of enactment—to pass a carefully studied proposal to permit real estate investment trusts to pass their income on untaxed to their shareholders in exactly the same way as is permitted to security investment trusts. Here was a fine opportunity to provide a vehicle for meeting the crying need for equity investment in income-producing real estate, for enhancing the security of real estate mortgages, and for relieving some of the pressure for super-high loan-to-

value ratios for insured mortgages on apartment property and unnecessarily liberal grants for urban renewal. It may not be easy to revive this measure after so long and so disappointing a battle. Yet there is nothing else on the legislative horizon that would do so much for sound, free, private investment in this field.

Finally, I am unhappy over the cleavage which this year's legislative activity brought to the mortgage lending industry. At a time when we should be ardently seeking every possible means to reconcile the interests of all types of mortgage institutions and to create a unified front against the encroachments that threaten all of them, we found ourselves in an unfortunate difference with one of the great institutional groups. The cause was the proposal to create a new plan for making high percentage home loans free from the hampering restrictions that have made the FHA and VA systems a menace to economic stability.

The Mortgage Bankers Association was sympathetic with the objectives of this proposal. It was, however, not convinced that the objectives could not be better obtained by essential reforms and improvements of the FHA system; and it was skeptical of the wisdom of creating a new system that was not open on fully equal terms to all members of the mortgage lending fraternity. It was fearful of the opposition which a "go-it-alone" policy would produce and hopeful that, given good will and more time, the divergency in views among the institutional groups could be satisfactorily resolved.

Our friends—and I hope we may still call them our friends—were restive at the prospect of the loss of a legislative year which would have resulted from further negotiation. They were apparently discouraged over the prospect of conciliation even with further negotiation. In any event, they decided upon a solitary effort. The result is now with us. They lost, and the rest lost too, for dissention in the ranks of private mortgage lending is a debilitating thing—and debilitation is something it can well do without in the face of the many problems that now confront it.

This is where we stand at the end of a disturbing and exhausting legislative session. I am sorry that my report is not more cheerful. I don't like to get into a position where I seem to be grousing, because it isn't my nature to grouse. Nevertheless, I cannot see the situation now confronting private mortgage credit as anything but serious and I cannot find an advantage in giving the facts anything but their own grave aspect.

Facing the facts, however, is not enough. It is one thing to recognize trouble, but quite another to let trouble get you down. I like to quote a line from St. Paul: "We are troubled on every side, yet not distressed; we are perplexed, but not in despair." I am not distressed at our predicament and I am definitely not in despair. I recognize that an uphill fight is ahead and that it is not to be won in a year. But I can't see that that is any reason for not making a start. Here is how I think we might begin.

First, we should push for a rapid extension of FHA's Certified Agency Plan—the plan under which the originator of the mortgage, using independent appraisers and inspectors, assumes the full responsibility for processing mortgage applications. In this we have a sympathetic attitude on the part of the FHA Commissioner, who can be counted upon to move as widely and quickly as we can demonstrate the feasibility of doing so. This plan which is now in effect in all or part of the territories of 21 insuring offices offers a means of broadening the effectiveness of the FHA operation by simplifying procedures, shortening processing time, and reducing cost both to FHA and the industry. It was instituted on the proposition that mortgage lenders had become mature enough to assume responsibility for their acts. Its success will depend wholly upon how sound that proposition proves to be. We must see that it does prove to be sound. We cannot afford to let it be otherwise.

Second, we have to keep before us always the objective of a free interest rate. Sooner or later, the rule of the market must be recognized in respect to interest rates on insured mortgages as it is in respect to rates on government obligations and all other types of securities. Even public housing bonds, which are backed by a subsidy as well as a full guaranty of principal and interest are subjected to the verdict of the market so far as their interest rates and prices are concerned. The utter illogic of the situation in the financing of private housing cannot endure forever. But it will endure a lot longer than it needs to unless we speed along the day of enlightenment. This we can do only by taking every opportunity to speak and write and testify on the advantages of the free

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"Third, we should do all that we can to stop the practice of including legislative matters affecting private credit in an omnibus bill dealing with all sorts of subsidy, grant, and direct loan programs. The interests of private credit have never had anything to gain from being included in an omnibus bill. . .

"Fourth, we in the mortgage credit industry should stand together for the attainment of a common purpose. The association that I represent is ready now, as it always has been, to sit down with any other group to consider any means of strengthening the private home mortgage credit system so as to make it better serve the housing needs of the American people. . ."

market, by supporting those in a seeking office who confess allegiance to the principles of the free market, and by really believing in what we advocate. There is no place in this arduous crusade for those of little faith who falter when the questions get rugged.

Third, we should do all that we can to stop the practice of including legislative matters affecting private credit in an omnibus bill dealing with all sorts of subsidy, grant, and direct loan programs. The interests of private credit have never had anything to gain from being included in an omnibus bill. On the contrary, it is only those who would undermine private credit that have anything to gain from it. The omnibus housing bill was an invention of the advocates of public housing, who, after failing to gain popular support for their programs, discovered that they could succeed in their aims by tying their proposals to needed and popular measures affecting private credit.

In this way, year after year from 1949 onward, FHA was made a hostage to those whose only interest in private credit was to use it as a vehicle for getting their own schemes through. This year something happened to upset the techñique. Amid the sudden upsurge in the demand for insured mortgages, FHA's insuring limits were abruptly reached. Either the provision for increasing the FHA authorization had to be separated from the omnibus bill or the housing boom nipped in the bud. Both alternatives were unpleasant for the advocates of broader government intervention, but, with the passage of omnibus legislation obviously months away, the risk involved in the second choice was too much for the most stalwart interventionist to assume. The one really critical matter—the FHA authorization—was thus taken care of separately as it should have been. With that safely accomplished, the administration's bargaining power was enormously enlarged. The rest of the legislation could be vetoed without adverse effects on the economy and without even seriously disrupting the affected programs; and everybody knew it. We have seen the results. The giveaway schemes simply could not stand on their own feet, and once the continuance of FHA was provided for, their inherent weakness was revealed.

This is a lesson we need to take thoroughly to heart. And don't think our adversaries are not also taking it to heart. Our Washington representatives have heard them already declare that they won't be caught a second time this way. So we may expect them next year to make a renewed effort to enact even a more extravagant omnibus bill. The perennial FHA authorization will be included, and this time it will remain in to the end if it can be accomplished. They know they can't get what they want with any other technique. It should be our purpose to block this move if it is possible to do so and to do what we can to see that measures dealing with private credit are treated independently.

Fourth, we in the mortgage credit industry should stand together for the attainment of a common purpose. The association that I represent is ready now, as it always has been, to sit down with any other group to consider any means of strengthening the private home mortgage credit system so as to make it better serve the housing needs of the American people. While we have set forth our views in a formal statement of policy, we are not doctrinaire in our position. It is the main issue that we are devoted to, not the details. If FHA can be made the kind of instrument for the private market that it was intended to be, we are for that. If someone has what he thinks is a better method of meeting the same objectives, we are open to persuasion. Our only stipulation is that participation in any alternative plan be as broadly equitably open as is the FHA.

So much for our problems. While we are solving them, we still have our day-by-day work to do. Incidentally, that in itself is one of our problems: our adversaries always seem to have plenty of time to spend undermining, while we necessarily have to pay some attention to business. On the whole, our business prospects are good. The easing of credit in the early part of the year revealed clearly that there were no serious maladjustments in the demand for real estate, whether in the form of houses or apartments, shopping centers or office buildings. The response to a greater availability of mortgage money for all these classes of property was immediate; and I would expect this year to be one in which building and mortgage lending will generally be on a decided upswing.

In no classification is the situation clearer than it is in residential building. From a low point in February on a seasonally adjusted basis, private housebuilding has had a strong and continuous rise, mainly in the area af-

fected by FHA insured home financing. We are headed for a total of easily 1,050,000 new private nonfarm dwelling units — houses and apartments—started this year; and it might well run higher. Next year, so far as potential demand is concerned, it could well come near the mark of 1,200,000. We have only to look at a few factors to assure ourselves of the strength of the housing demand.

Vacancies are low. Mortgage delinquencies are low. Neither of these was much affected by the recession even in the parts of the country where the pinch was most severe. Housing certainly has no problem of inventory liquidation. Then we may note that the urban part of the country is still growing. In spite of the fact that we are now in a period of a lessened family formation, because of the low birthrate of the 1930s, the net number of new nonfarm households both this year and next will exceed 900,000. We may also note that the number of nonfarm families with incomes of $5,000 or more has been growing much faster than the total number of families—well over a million a year, according to the estimates of the Department of Commerce. On top of this, we are told by the Bureau of the Census that, over the last six years, an average of about 350,000 dwelling units a year have been removed from the market in one way or another. Advances in the highway and urban renewal programs are raising this figure every year.

All one has to do is to add together growth and destruction to see that the demand is huge. As mortgage men, we shall have plenty of work to do to come near to meeting the potential. The question in my mind is not what we might do, if we were free to do it, but how much we can do with the kind of tools we have to work with. The wider application of the Certified Agency Plan will help a great deal. The assurance of a market rate of interest would help a great deal more.

So I find myself back with the political considerations with which I started. Regrettable as we may think it, this cannot be avoided. In our business politics and economics are inextricably mixed. If we are to perform our economic function well, we shall have to be unremitting in our effort to advance our political objectives.

›› INVESTMENT RECORD: Investments in mortgages by U. S. life insurance companies at year-end 1957 reached a record high of $35,235,502,000. Moreover, mortgage investments had risen to 34.8 per cent of the life companies' total assets, a proportion of assets not equaled in 25 years.

In just a decade, life companies' holdings of mortgages have more than quadrupled and the percentage of their assets held in this form has more than doubled. At year-end 1957, these holdings covered 3,016,000 individual loans ranging in average amount per state from $8,300 in South Carolina to $37,200 in New York.

In the course of 1957, the life companies increased their mortgage holdings by $2.2 billion. Of this increase, 70 per cent derived from larger investment in conventional non-farm housing and commercial properties. This group accounts for half the industry's mortgage holdings and growing investment in these types of mortgages over the past decade has been responsible for almost half—specifically 47 per cent—of the $26.6 billion increase in the industry's mortgage holdings in that period.

An additional 19 per cent of the total increase in 1957 resulted from companies' increased investment in VA guaranteed non-farm home loans. Farm and non-farm FHA mortgages accounted for the remaining 11 per cent of the year's increase.

While life insurance companies' mortgage holdings have been rising, the total mortgage debt outstanding in the country has, of course, also been increasing, although at a slightly lower rate of growth. Between 1949 and 1957 the nation's mortgage indebtedness increased by 149 per cent, while mortgage holdings of life companies rose by 173 per cent. By year-end 1957 almost 23 per cent of the national mortgage indebtedness of $156.3 billion was financed by the funds of life insurance policyholders.

Life insurance companies of the United States now have 3.2 per cent of their assets in real estate, aggregating $3,305,000,000 or $322,000,000 more than a year ago, the Institute of Life Insurance reports. Largest block of this is the commercial and industrial real estate held for rental, which totaled $1,951,000,000 on June 30, up $184,000,000 in the past 12 months . . . Payments to U. S. policyholders and beneficiaries from their life insurance policies averaged more than $20,000,000 daily and totaled $3,649,900,000 in the first half of this year, up $355,900,000 from a year ago.

Certified Agency Program . . . .

THE progress and future prospects for the Certified Agency Program have been matters of interest to mortgage bankers since the program's announcement last fall. We at FHA appreciate this interest and are grateful for the many helpful suggestions and the cooperation we have received from the mortgage banking fraternity. Federal Housing Commissioner Norman P. Mason desires that the FHA programs be workable, useful programs which will bring the benefits intended to as many people as possible. We believe the cooperation and support of industry is essential to this goal.

Most mortgage bankers have heard of CAP, but for the benefit of others let us run quickly over the fundamental facts about it.

First Steps

Probably the first concrete step leading to the development of the Certified Agency Program occurred September 26, 1956, when an FHA Industry Advisory Committee met on "Increasing Usefulness of FHA Mortgage Insurance in Small Communities." A number of recommended actions were submitted by this committee.

Under the direction of Mr. C. B. Sweet, now FHA Deputy Commissioner, these recommendations were submitted to various divisions of the FHA for possible action. At the same time, FHA Insurance Programs representatives in the field offices were asked to call on lenders in smaller towns to interest them in the FHA program. Reports from this activity began flowing in, and by January of 1957 a pattern was apparent which confirmed the statements of the Industry Advisory Committee and indicated major reasons why small town lenders shied away from FHA. These were:

1. Ability to employ available funds at better ratio in other types of loans.
2. Inability to cope with the paperwork involved in FHA.
3. Inability to keep current on FHA requirements.
4. Lack of understanding between FHA and these lenders.
5. The feeling that FHA credit requirements were often too strict.
6. Unwillingness to tie up their own funds in long term mortgage loans.

Entirely New Concept

It became apparent that to meet these problems some entirely new approach was needed. The CAP idea developed. Instructions were written and procedures proposed which met with both industry and FHA approval.

It seemed that to overcome the above objections, CAP would have to be simple and speedy. FHA underwriting procedures were examined and compared to conventional loan procedures, with the objective of developing a program which would pass on the benefits of FHA's vast experience without becoming too weighty.

Forms were scrutinized to eliminate duplication wherever possible. Contemplating the cooperation of local lenders, appraisers and inspectors who would be more familiar with local situations than would FHA personnel, it was possible to eliminate some paperwork. The final result was a reduction and shortening of forms to approximately half the total length of those required in normal FHA processing.

Quality Maintained

One of the biggest problems FHA faced in designing such a program was that of maintaining quality of the mortgages developed. Mortgage bankers and large investors who counseled us were quick to point out that the liquidity of the FHA insured mortgage was due as much to the high quality mortgage developed under the FHA underwriting system as to the insurance.

To prevent abuses and maintain quality of the program, certain procedures have been established, such as the assignment of the appraisers on a rotating basis by the FHA office. While there are certain disadvantages to such procedures it has been generally agreed that the advantages justify them.

Further limitations—such as the restriction of CAP to single family dwellings eligible under Sections 203 (b) and (i), the limit of 5 commitments outstanding to a builder at any one time, and the limitation on eligible areas—are matters which presumably can be reviewed after FHA has had sufficient experience with CAP.

How CAP Works

Here is how the new program works: FHA certifies local lending institutions as Agents authorized to undertake certain steps in the processing of applications for insured loans. In the past, these steps—appraisal, inspection, and credit analysis—have always been performed by members of the staff of FHA's district insuring office. Under CAP, qualified local people who have been made familiar with FHA objectives and schooled in its techniques are employed to make property appraisals and the required number of inspections of new home construction. In this program, FHA relies on the lender's judgment in weighing the borrower's credit situation. Thus, people working together in their home areas do the work formerly done in FHA offices or by personnel dispatched from the office to the property site.

The time required to process applications for insured loans under the Certified Agency Program has varied from a period of one day to two weeks. The FHA office does a closing

. . . . a progress report

Initiated last fall on an experimental basis in towns of less than 15,000 population — but broadly extended since then — the Certified Agency Program has been hailed by mortgage lenders around the country as the greatest advance for the industry since FHA was born. As of August, over 1,500 authorized agents were participating in the program and, together, they had issued more than 5,000 commitments and made 1,200 insured loans. Here, FHA Program Director Graham T. Northup provides a detailed report on CAP's progress to date and its future prospects.

By GRAHAM T. NORTHUP

Director, Program Division
Federal Housing Administration

review prior to insurance endorsement, but this does not delay the loan closing. If the Agent's submissions are complete, with all papers properly executed and signed, so long as the terms of the transaction meet with FHA regulations and with the provisions of Sections 203 (b) and (i), the insurance of the loan is in force.

To guard against mistakes, the insuring office reviews each commitment and reviews the closing papers to see that the case has been completed in accordance with requirements.

In addition, a post-endorsement review is made of all cases to see that FHA standards are being maintained. This checking and surveillance by the insuring office should be effective in spotting problem areas quickly.

On Limited Basis

The Certified Agency Program was initiated last fall on an experimental basis in towns of less than 15,000 population (1950 census) in the insuring office districts of Albany, New York; Philadelphia, Pennsylvania; Greensboro, North Carolina; Grand Rapids, Michigan (Upper Peninsula only); Springfield, Illinois; Topeka, Kansas; and Phoenix, Arizona.

Mortgage lenders and others soon recognized that the simplified procedures could be beneficial in larger towns and urged FHA to lift the 15,000 population limit.

Recognizing that the experiment seemed to be progressing successfully and that its benefits could be justifiably extended to larger communities, which for one reason or another had not been receiving the full benefit of FHA services, an extension was made on March 27 of this year.

Extension to Larger Towns

The program was introduced into all cities in Oregon with the exception of metropolitan Portland. The entire states of Colorado and Montana were brought into the program; and for the sake of experiment all the cities were included, even Denver and Helena. In FHA's Philadelphia jurisdiction in eastern Pennsylvania, all cities except metropolitan Philadelphia were made eligible for CAP.

Other areas made eligible for CAP during this same extension, but with its application still limited to towns of 15,000 and less, were the balance of the Grand Rapids territory plus the area served by FHA's Detroit office, the northern Illinois area served by the Chicago office, and the states of Maine and Alabama.

By late spring, the program was in effective operation in 14 of FHA's 75 insuring office jurisdictions. There were about a thousand Authorized Agents in these areas, of which 150 were mortgage companies. There were 760 appraisers and 380 inspectors all certified and ready for work.

On June 4, a third extension was made. This time CAP was installed on the following basis: it was to be available to all cities except those in which there was an FHA office or in regard to which the director felt there was sufficient reason for excluding the new procedures. These were the insuring offices included in the latest extension: Richmond, Virginia; Tampa, Florida; Memphis, Tennessee; Minneapolis, Minnesota; Des Moines, Iowa; Lubbock, Texas; and Seattle, Washington.

Interest Widespread

The program is now well under way in these areas. Expressions from industry indicate that CAP is very much needed and wanted. As news of the speeded-up processing becomes known, participation increases. Commissioner Mason has proceeded with due deliberation before introducing the program into new areas. But as its benefits become known, the requests for further extension have increased tremendously. In early August, there were 1,556 Authorized Agents, 919 of which were banks, 318 were savings and loan associations, 273 were mortgage companies and 46 were life insurance companies or their branch offices. Together they

(Continued on page 27, column 3)

. . . CAP
A Mortgage Man's Viewpoint

Here is a typical mortgage lender's point of view on his firm's experiences as an authorized CAP agent in Denver, Colorado, first city of its size where the program was authorized. There have been problems, Mr. Bacon admits, but in general the advantages of operating as a CAP agent more than offset any initial difficulties. The problems, he is confident, will work themselves out and "result in a better mortgage operation, bringing us closer to our outlets, giving us an opportunity to better serve our clients, actually, broadening our field of activity and resulting in a greater volume of business."

By **C. A. BACON**
Vice President, Mortgage Investments Co. Denver, Colorado

THE Certified Agency Program, or CAP, is beginning to become a familiar term in mortgage banking circles—surprisingly enough, the program itself is not. Our own experience has shown that many of our outlets were not familiar with the details of the program. If there is any value in this article, it will be to alert some of you who read it to the fact that you will soon be operating under the program. It may cause you to make preliminary investigation and, as a result, eliminate some of the difficulties that might conceivably arise.


C. A. Bacon

It is not my intention to document in detail the CAP Program. The FHA has done exceedingly well in their "Certified Agency Program Operating Instructions," a copy of which I strongly recommend you obtain — if you anticipate operating under the program.

In the fall of 1957, the program was started experimentally in specifically selected areas and, although it was slow in getting under way, it has now been accepted enthusiastically. On April 16, 1958, the areas were expanded and included the entire state of Colorado. This was unique only in that Denver became the first city of its size where CAP was authorized. Coincidentally, on April 15, 1958, Mortgage Investments Company was authorized as an agent. Technically, we were ready to do business. We closed our first loan April 18, 1958. We received a considerable amount of publicity in connection with this which, to my thinking, proved very worthwhile. Oddly enough, we received some criticism to the effect that we were misleading people into believing that we could consistently close in that short period of time. This criticism undoubtedly is justified; however, the fact remains that we did close one deal in 48 hours and we probably can do so again. There is no reason to believe that loans cannot be closed on a full scale operation in a week or less.

Undoubtedly, one of the motivating factors for FHA initiating this system was that in outlying areas and small communities, service—from the standpoint of time—has been very slow. The big bulk of FHA's business comes from larger communities where FHA offices are located and which, naturally, are given better service. Appraisals and inspections that had to be made hundreds of miles from the FHA office were automatically delayed. Under CAP this is eliminated, because the appraisers and inspectors are located through the state where it is not inconvenient for them to readily inspect the properties.

Our firm operates three branch offices, one of which is in Grand Junction, Colorado. From that office we do business in the extreme southwest corner of the state, where New Mexico, Arizona, Colorado and Utah join. It is approximately 550 miles and a full day's driving time from Denver, where the FHA office is located. In winter we have had delays of as much as two and three weeks in obtaining an inspection on property under construction. Winters in this area are sometimes severe; it is understandable that such a delay in obtaining the inspections could be very expensive. In cases processed under the CAP, this type of delay can be eliminated.

We have further found CAP an advantage in obtaining conditional commitments. In all of our branch offices, conditional commitment volume has doubled and tripled. In our Denver office we have limited our activity in the Program to existing construction for the most part, feeling that in the initial stage of the program, we were better prepared to handle this type of case. Since we started, we have processed 272 cases out of our Denver office alone.

The CAP Program presents a tremendous opportunity for mortgage bankers to be more competitive from the standpoint of service. Likewise,

however, it places substantial burdens on the mortgage banker in an additional and very direct manner. Heretofore, these responsibilities have been merely implied. I am referring primarily to underwriting methods, which must be used from both the standpoint of credit and property. Most of you are prepared to handle these additional details. You will find, however, that these responsibilities are very real and you will have to make some adjustments in your operation to cope with them. I believe that in this area lies the success or failure of the program. For the responsibility goes beyond relationship with the FHA and your outlets; it includes the entire industry. I feel confident that we have come of age in this business and are fully capable of handling it in a manner that is above criticism.

Once you sign a commitment you do not merely have a hunting license to place the loan, you are irrevocably committed to make it. This, I specifically want to point out. Obviously, this calls for a very complete understanding of your outlets and close cooperation with them. FHA recognizes that there are numerous opportunities where the careless agent can take advantage of the program. If abuses occur, their only recourse is to withdraw their certification. It seems to me that we all have too much at stake to risk even criticism. Knowing that I am repeating what most of you have read in a letter from Sam Neel, I want to call your attention to the "Conflict of Interest Clause," which is in the document of certification from FHA.

Initially, you will find it awkward to process cases under this program, and more costly, because there is considerable more paper work. I strongly recommend that you have someone in your processing department specialize in this program and assign that individual to the detail of preparing these cases. You will find that you will run into some resistance in your local FHA office. In our case, we have had excellent cooperation with all of the staff at FHA. However, many of the employees, inspectors, appraisers and mortgage credit underwriters feel that this is a threat to their jobs and that their position will be reduced to that of a mere clerk. This, of course, is not the case.

It is my feeling that it is the vehicle whereby FHA volume will be expanded substantially, and that probably additional personnel will have to be taken on as a result of the program. Independent appraisers and inspectors have to be appointed and trained not only in the technical aspect that FHA practices, but in their direct relations with mortgage bankers and their outlets.

To illustrate, this is the first time that your outlets have actually had the opportunity of seeing an FHA appraisal along with the submission papers. Irrelevant remarks on the appraisal by an overzealous, or perhaps an incompetent appraiser, can and will cause you considerable trouble. You should encourage cooperation between these independent appraisers and the FHA staff, even to the point of using the vast amount of appraisal information accumulated in the FHA files.

Mortgage Investments Co. has not yet been in this program three months. We are off to what we think is a very successful start and are very much aware that, in a sense, we are guinea pigs for what may be done in the future expansion of the program. We have many problems yet to be worked out. Most of them revolve around the additional responsibility attached to the program. We are confident that these will be worked out and result in a better mortgage operation, bringing us closer to our outlets, giving us an opportunity to better serve our clients, actually broadening our field of activity and resulting in a greater volume of business.

With such prospects in view, I am sure that mortgage bankers need no further encouragement to participate in the program.

CERTIFIED AGENCY

(Continued from page 25)

have issued more than 5,000 commitments and made 1,200 insured loans.

We know that many lenders, particularly in smaller towns, are again taking an active part in FHA. We know, too, that other segments of the industry such as real estate firms are getting and using more conditional commitments to facilitate sales of existing properties. One man reported that in the matter of conditional commitments for the sale of existing houses, his firm did three times as much business during the first six weeks under CAP as it had throughout the previous year. This was the result, he said, of being able to get conditionals issued in four days instead of six weeks.

Review in Progress

CAP is now being carefully reviewed. The object of the review is to determine the quality of work that has been performed and to determine how effective it has been in extending FHA services. We want to know more about other aspects of the program and are especially interested in estimating its effectiveness in larger communities.

We feel confident it is the proper approach to the basic problem of providing better service. It seems reasonable to asume that CAP will be extended in order to offer the advantages of FHA to more American families.

SAVERS SET RECORD

(Continued from page 17)

non-insured programs, with more than $34.5 billion of assets and reserves accumulated behind these plans at the end of last year. The number of workers covered by Government-sponsored programs other than OASI—railroad, Federal civilian, and state and local employees retirement programs—added up to about 7½ million at the end of 1957, with some $24 billion in funds behind those plans.

At the year-end, investors in open-end mutual companies numbered 3.1 million and the assets of these companies were reported at $8.7 billion. The last survey by the New York Stock Exchange reports the number of stockholders in American business corporations at 10 million, the highest yet reported.

Here is how the leading forms of personal thrift stack up:

The number of policyholders in legal reserve life insurance companies rose to a record 109 million at the end of 1957, or 63 per cent of the entire population, making life insurance the nation's No. 1 thrift medium. The comparable number in 1950 was 88 million policyholders, or 57 per cent of the population. Savings accumulated by policyholders behind their life insurance policies came to $82.2 billion at the 1957 year-end, up nearly $29 billion since the end of 1950. These figures are distinct from life insurance protection in force, which amounted to $458.4 billion at the beginning of this year. In addition to the policyholders of legal reserve companies there are also 12 million persons who are covered only by some other form of life insurance.

The number of time depositors in mutual savings and commercial banks combined came to an estimated 74½ million at the end of last year, or 43 per cent of the population, as compared with 64 million, or 42 per cent in 1950. Savings deposits were $85.4 billion at the end of 1957 year-end against $55.2 billion at the end of 1950.

A Nation of Savers

The following table gives the estimated number of savers and of participants in private and public pensions and retirement programs at the end of 1957, and the savings and reserves credited to their account:

Form of Thrift	Number of Persons (Thousands)	Savings or Reserves (Billions)
Life Insurance cos. (a)	109,000	$82.2
Time deposits	74,500	85.4
U.S. Savings Bonds	40,000	48.2
Savings & loan assns.	21,100	42.0
Credit unions	10,000	3.4
Postal Savings	2,200	1.4
Retirement Plans		
Non-insured private	12,750	20.6
R. R. Retirement	1,540	3.7
Federal civilian	2,100	7.8
State & local	3,800	12.8

(a) Includes 4.9 million persons covered by insured pension programs and reserves of $14.0 billion for these programs as of the end of 1957.

Sources: American Bankers Assn.; Home Loan Bank Board; Social Security Adm.; U.S. Treasury; Institute of Life Insurance.

›› HOME MORTGAGE DEBT:

The outstanding nonfarm home mortgage debt in the United States rose by $1.7 billion during the first quarter of the year to reach a total of $109.1 billion at the end of March, 1958. This growth was somewhat smaller than that shown for the comparable period in 1957.

Except for commercial banks, each of the major types of lenders participated in the growth in home mortgage holdings during the early part of 1958. Increases ranged from 2.5 per cent for individuals and miscellaneous lenders to 1.1 per cent for life insurance companies. Commercial banks showed a fractional decline in their home mortgage portfolio from December 31, 1957.

More than 47 per cent of the net gain in the home mortgage debt during the first three months of the year was in the portfolios of savings and loan associations, while individuals and miscellaneous lenders accounted for 21 per cent of the increase.

Home financing activity, as reflected by mortgage recordings of $20,000 or less, continued the decline which has been evident since the record highs of 1955 and 1956. According to present indications there has been some slackening in the rate of decline. Mortgage recordings registered for the first quarter of 1958 were 5 per cent below the same period of last year, as compared to a drop of 12 per cent for comparable periods of 1956 and 1957.

President's Page

BUSINESS CYCLE WITH A SHORT LIFE—AN ENDURING PROBLEM

Random observations during the hot weather—

A short-lived cycle: The host of economists, government officials, bankers and business men who have concluded that the end of the recession has been passed is growing daily and is now large enough to give credence to the belief that the cycle that began in July, 1957, came to an end in April this year. If it's true, then we have weathered the sharpest but shortest post-war business adjustment and done very well indeed. Sharp seems to be the word for a great many changes which have affected mortgage lending—certainly from November last year until recent weeks was a period of the sharpest change in the mortgage market ever seen. The record of construction for the first six months this year showed an equally sharp contrast. Construction contracts, according to the Dodge figures, were down 10 per cent in January with the same decline in February, and March was down another 12 per cent with nearly every building category affected. In April they bounced back with a 4 per cent gain, May was ahead and in June they soared 12 per cent. To me, what is happening in construction, particularly in home building, is further evidence that the demand for new housing is still very large indeed, and that—except in certain areas—the so-called saturation isn't what so many have feared it was and, further, that in the immediate period ahead there is still a great deal of building to be built and financed.

John C. Hall

A busy time: FHA has been busy, as the monthly reports showing higher and higher totals of applications plainly show. From reports I have, the agency is doing a fine job under the most difficult circumstances. The record volume of business which FHA is now handling is another demonstration that one thing vitally needed in the insured mortgage operation is greater and more flexible control by the agency over its funds so that it can render the type of service it is equipped to give without being held back by legislative barriers. MBA has been consistent in its determination to secure for FHA the full recognition it deserves as a useful and efficient arm of government. FHA is again demonstrating clearly that it can do the job and what it needs more than anything else are the tools to do it faster.

Our continuing No. 1 problem: And speaking of the government sector of our business, these changing conditions in the availability of mortgage funds and in interest rates only serve to remind us again that our foremost problem in this field is the necessity of eliminating controlled interest rates in the government-sponsored programs. Vice President Walter C. Nelson has advanced some particularly telling arguments in this matter in recent months. He used the most easily understood terms in addressing the Stanford students.

"A 5 per cent discount on a VA loan of $15,000 has added $750 to the cost of the house," he said. "This is the biggest single cost increase in the purchase of a new home over the past several years. Give builders money at par and competition will level off the prices on a basis that will be fair to everyone. Both VA and FHA, because of their appraisal techniques and built-in safeguards for the purchasers, have plenty of control over the market without having to dictate unrealistic interest rates.

"Today, there is plenty of evidence that discounts on FHA and VA loans could be reduced or eliminated if interest rates were not controlled. For example, why must FHA loans still command a 1 per cent discount when the same investors are willing to make conventional loans at par carrying the same rate?

"Investors have gotten into the habit of requiring discounts, the public has been educated into paying them, with the result they will be hard to eliminate.

"But give us a free interest rate and discounts will soon disappear altogether and the borrower will not be paying any more for his borrowed capital than he is willing to pay.

"We must not give up our efforts to free the interest rate from legislative and administrative controls. They always act 'too little and too late,' and the actions taken are very seldom in the best interests of the borrower."

Let's not lose sight of the fact that ending controlled interest rates is just as pressing now as it was a year ago. Developments since November demonstrate that in an impelling way.

John C. Hall

PRESIDENT

Voice of the Home Office

An Investor Looks at a Mortgage Banker's Operations

By MILES C. BABCOCK

Vice President and Mortgage Officer
Teachers Insurance & Annuity Association of America
before the Texas MBA Convention, Galveston

PERHAPS the main reason to "look" at the operations of a mortgage banker would be to help him improve his methods. We investors who "sit on the other side" of the mortgage business view the business methods of mortgage bankers in a different light than do his competitors. Essentially, our observations are based on the operation of a typical mortgage banker as it affects his relationships with his investors.

Miles C. Babcock

Before we proceed further, we should define what we mean by the "typical mortgage banker." From a recent MBA survey, we find that the average mortgage banker can be described as follows: He is servicing an account of approximately 3,200 loans for a total servicing portfolio of $32 million. His number of investor accounts may vary widely, but he will usually represent between 10 to 30 investors. His loan production staff will consist of approximately 15 persons who handle the origination, processing and servicing of loans. (He may also have additional people working in allied departments such as insurance sales or real estate sales.) His company will have been in business about 15 years.

This, then, is the "typical mortgage banker's operation" at which we are going to "look," with the aim of giving him ideas or suggestions by which he may improve his relationships with his investors.

A quotation on Madison Avenue in New York reads: "The Advertising Man is a liaison between the products of business and the mind of the Nation. He must know both well before he can serve either." This quotation could be borrowed and, with just a few word changes, be used as a good description of a mortgage banker. It could be reworded as follows: "The Mortgage Banker is a liaison between the products of the Builders and the Investors of the Nation. He must know both well before he can serve either." Most mortgage bankers probably know their builders very well because they see them often, but do they know their investors as well since they see them less frequently? Present day mortgage investing requires extremely close cooperation between the mortgage banker and his investors. The closer that cooperation is the better each will fare. Strangely enough, the job each one is trying to do will become easier if that close cooperation exists.

One way to obtain this required cooperation is for the mortgage banker to get to know the problems of the investors. In knowing their requirements, he will be better able to do business with them. As an illustration, most of us know that some mortgage originators receive more funds to invest than others. In our particular case, through our annual review of our mortgage investment program, we found that over the years, 25 per cent of all our mortgage originators received approximately 80 per cent of the mortgage investment funds. Searching for the reasons, we found that this 25 per cent had done an excellent job for us in various ways. In categorizing them, as I do below, I hope to show why certain mortgage originators did a better job than others. I realize that in certain instances the categories will overlap, but they cannot really be separated into definite reasons for allocating funds.

Reliable Production: We found that the people who could produce loans when we wanted them, in the volume we needed, received more of our money to invest than those originators who could not. An investor's need for loans often is not as steady and level as most people might think. Often the flow of investment cash is affected by such things as insurance sales, mortgage repayments, portfolio shifts, interest rate changes and bond redemptions, so the investor may often find that he needs loans in far greater volume at one time than at another. The ability to produce loans when they are needed is a very valuable tool for a mortgage originator to have.

A word about "quantity require-

ments" may be in order here. Many mortgage bankers may be laboring under the impression that all investors require a large quantity of loans at all times. This may be true of the very large banks or insurance companies, in a few instances, but it certainly is not always true of the average insurance company. There are approximately 1,144 legal reserve life insurance companies in the United States today, but their average size in total assets is only $88 million. This means that if their mortgage portfolio averages about 45 per cent of assets, their average total mortgage holdings are only slightly larger than the average servicing account referred to earlier in this article. Obviously, most insurance companies do not need as much volume as one might think they do. For this reason, they need only a few good sources of loans.

Attitude: We found that these originators had adopted an attitude of trying to help us in our investment program. In many cases they exerted extra effort to see that our interests were protected. There were many instances where they went to great lengths to insure our receiving the loans committed on, even if it meant additional expense on their part or the forfeiture of fees obtained from builders. Experience has proved that those companies who establish reputations of always looking out for their investors can always expect to receive a little extra consideration. Those companies consistently guilty of misrepresentation, and whose attitude is always one of keeping the investor "in the dark," will find that their deals must be *extra* good to receive any investment funds.

Servicing: Without exception, these originators ran extremely capable servicing organizations. They were well-staffed with efficient, experienced personnel who handled all of our individual loans and collections in an excellent manner. Their processing and collection procedures were correct and adequate; and they handled our funds in a trustworthy manner.

Yield: The loans these people sold us gave an attractive yield when compared with current market prices in their areas. They were not always the very maximum yield available, but they represented attractive and competitive yields in their areas.

Now, let's examine why the above reasons meant more business for these people. First of all, they produced loans for us when we wanted them. This is very important to investors but often very hard for originators to do. It takes ability to originate loans and sufficient resources to hold loans for your investors. But on the other hand, I am sure all investors have purchased loans many times simply because they were available when needed.

Lending policies and property requirements vary between lenders, as each investor has his own lending policy. You must know your different investors' requirements sufficiently well to originate the kind of loans they will buy. The best originators do not waste time trying to sell loans which do not meet a particular investor's requirements. They sell these loans to the lender who wants that particular kind of loan. By knowing each investor well enough to know what kind of loan he wants, you will be able to originate and sell loans in volume to different investors and thereby do your builders a service as well.

As Dr. Harvey Overstreet says in his book, *The Mature Mind*—"There is one characteristic of the human mind, it forms attachments for other people." If your attitude is one of interest in the companies whom you represent and you convey through your actions that you are loyal to these companies, then they will in turn be loyal to you.

If you express by your actions that you are trying to do a good job for these companies over the years and are going out of your way to see that they get good investments, their attitude toward you will be good. If, on the other hand, it appears to them that your efforts have been directed at protecting the insurance company or bank, last and least of all, then you cannot expect any loyalty to you.

Good servicing is something that is too often taken for granted, except when it is no longer good. It is impossible to put enough emphasis on the importance of good servicing. More often than not, it is the measuring stick by which different mortgage companies are compared or allotments made. More and more companies are establishing regular auditing procedures to audit the operations of their mortgage servicers in order to establish which ones are good and which ones are not. Mistakes and inefficiency can lead to lack of confidence in you by your investors. Remember that a servicing and origination connection between a mortgage company and an investor can be one of the most durable and long lasting of all business relationships. It is also a relationship which has every possibility of growing larger and more permanent, rather than smaller. For these reasons it pays to be sure your servicing is good.

Actual yield on mortgage purchases is not always all-important. Yields will vary depending upon the location and the quality of the individual loans. Actual yield should not be the only measure of value. Most fluctuations in yields and loan prices are often much more dependent upon the forces of demand, supply and comparative yields available in other forms of investment than they are on any one originator or investor. For these reasons we must buy and you must sell on a current market basis.

The following is a list of *do's and don't's* which in general follow some of the above ideas:

1. Take the trouble to contact each investor often enough to learn exactly what his investment policy is and re-check occasionally. Get to meet the people with whom you deal and know them.
2. Keep your investors informed of market conditions in your area.
3. Tailor each loan offering so that it meets the quality and size requirements of the particular investor.
4. Maintain excellent servicing. Don't overlook prompt attention to delinquencies and adjustments on existing loans. Existing portfolio must be handled as well as new loans produced.

It is wise to remember that present day investing depends upon good cooperation between the mortgage originators and the investor. The better that cooperation is built upon mutual trust and experience, the better the relationship will be for both the investor and you.

YMAC | *A page sponsored by the Association's Young Men's Activities Committee, Joe Jack Merriman, Kansas City, Mo., Chairman.*

Young Men, Go Commercial!

Advice from a mortgage man who refutes the argument that commercial loan production is less consistent than residential. "Over the long pull," he says, "you can keep as busy—or busier—and make just as much money as in other phases of our industry."

By JAMES B. BIDDLE
Executive Vice President, M. P. Crum Company, Dallas

WITH a little stretch of the imagination, the title of this article made me think of the airlines—of flying—of the wide blue yonder—of the exhilaration that comes from climbing to heights never reached—of the feeling of smoothness that goes with a cool clear day—or the turbulence from thermals working on a hot summer afternoon. So it is with looking for, negotiating, appraising and placing commercial loans. There is something exciting, appealing, something exhilarating about working out a loan to be secured by a mortgage on revenue producing property.


James B. Biddle

Don't get me wrong — just as some men prefer blondes, others prefer red heads. If you prefer residential lending, then more power to you; but let's get the record straight from the beginning: I am advocating that young men now in the mortgage business consider the opportunities and tremendous satisfaction that comes from working with, dreaming about and staying awake nights over commercial loans.

I submit that loans secured by mortgages on income properties are just as necessary to the growth of America as loans to the families who want their own home. I believe the construction of a new plant, a doctor's office building, a warehouse, a shopping center or a downtown office building can be just as essential to the growth of our economy as the raising of a bushel of wheat, the production of a new car or the drilling of an oil well. Of course, it's obvious in any of these situations that the law of supply and demand must be considered. Too many warehouses, retail stores or offices in a given market destroy value. We also have to recognize the action of other laws or principles. The principle of substitution is a living concept which dictates that an item with the lowest price will tend to rise to position of best seller when compared with a product of similar utility and desirability (e.g., all other things being equal in the comparison).

There can be safety in practically any commercial loan so long as there is a good balance between location of the real estate, credit of the owner or occupant and the classification of the real estate; specifically, general use, limited use or single purpose. In other words, individual loans on old or new properties in prime, marginal and submarginal locations (occupied by tenants with top national, regional or poor local credit) can each be desirable investments. Essentially the investor has to consider the property from the appraisal or real estate value viewpoint, and from the viewpoint of underwriting or determining the risks that will be accepted with the making of the loan.

I think the obstacle most awesome to young men—and old—is their lack of knowledge of appraisal techniques as applied to income property. It's true that good solid appraisal experience is often hard to come by without the benefit of actually working in a shop which devotes some time to making commercial loans. However, the enterprising and aggressive young man who desires to taste the rich flavor of accomplishment should think seriously of the other methods to replace on-the-job training, which often is impossible to attain.

The courses offered by the American Institute of Real Estate Appraisers can be the next best introduction to an understanding of appraisal techniques and value characteristics. Courses on real estate valuation or appraisal offered by local schools or colleges are often excellent. Just plain "burning the midnight oil" over a good textbook or the Appraisal Journal can become more than an introduction to appraising commercial property.

Knowing the investment value, long term or simple current market value (generally most difficult to find), is essential to the person recommending a loan to be secured by the property.

Coupled with a knowledge of real estate values in your community is the need to understand the counterbalancing effects of plus and minus factors inherent in the real estate, the tenant, the owner, the money market and the laws of the state and community in which the property is located. As appraisal is a general category, so is the evaluation (underwriting) of these plus and minus factors.

Prior to loan recommendation one needs to consider the credit of the occupant, owner or tenant. Has he kept his promises in the past and can he be expected to keep them in the future? (After all, the extent of one's credit is limited only by the ability to

(Continued on page 37, column 1)

in November
train your sights on . . .

CHICAGO

MBA's 45th ANNUAL CONVENTION

November 3-6, 1958

Conrad Hilton Hotel

Industry-wide Appraisal: One of Highlights on Convention Agenda

A program of outstanding merit awaits all who attend our annual meeting—for it will encompass not only an industry-wide appraisal and interpretive analysis of the overall economy; but it will include, too, a careful examination of the general business picture with full attention to the governmental aspects, and a full-scale review of the roles played in our industry by life insurance companies, mutual savings banks and commercial banks.

SPEAKERS: Among the many distinguished personages addressing the Convention will be:

Julian B. Baird, Under Secretary of the Treasury, Washington, D. C.

The Honorable John Sparkman, Senator from the state of Alabama.

William A. McDonnell, president, Chamber of Commerce of the United States, Washington, D. C.; chairman of the board, First National Bank in St. Louis, St. Louis.

William A. Lyon, president, National Association of Mutual Savings Banks, New York; president, Dry Dock Savings Bank, New York.

Albert M. Cole, administrator, Housing and Home Finance Agency, Washington, D. C.

Norman P. Mason, commissioner, Federal Housing Administration, Washington, D. C.

J. Stanley Baughman, president, Federal National Mortgage Association, Washington, D. C.

P. N. Brownstein, director, loan guaranty service, Veterans Administration, Washington, D. C.

Samuel E. Neel, general counsel, MBA, Washington, D. C.

Dr. O. B. Jesness, professor, University of Minnesota, Minneapolis.

R. Manning Brown Jr., Vice President in charge of Real Estate and Mortgage Loans, New York Life Insurance Company.

MBA President John C. Hall, Birmingham; and others.

Convention time affords the one and only time during the year when everyone engaged in mortgage originating and investing can convene on a nationwide basis to discuss mutual problems and explore possible solutions.

To Speak in Chicago


Norman P. Mason


Albert M. Cole


J. S. Baughman


P. N. Brownstein

Meeting in Chicago Could Top All Others

Because Chicago, traditionally, draws the largest attendance at our MBA conventions—and because this year especially there is such an abundance of new trends and influences at work in our field—it is highly possible that this particular Convention, our 45th annual get-together, could be even bigger than ever.

Advance registration even at this early date, is running well over 1,500. Remember, registration now will insure the appearance of your name and firm on our preliminary list which is mailed to all members in advance of the Convention opening.

Hotel reservations are being taken up at a fast clip; if you've not already made yours, it would be advisable to do so without delay. Rooms are available at the headquarters hotel, the Conrad Hilton, and likewise at the Palmer House. Registrants will be housed, too, at the Sheraton-Blackstone, but the accommodations there have been exhausted.

The Convention, of course, is for members only, and all members have been provided with hotel accommodation forms *and* advance registration cards. It would be wise to complete all necessary arrangements now, so that no part of your attendance and participation will be disappointing.

Farm Clinic and YMAC to Present Programs

Among the varied features comprising the business end of the Convention agenda will be the traditional Farm Mortgage Clinic and luncheon meeting, sponsored by the MBA Farm Loan Committee. It will be on Wednesday, November 5, and the featured speaker will be Dr. O. B. Jesness, professor at the University of Minnesota, and an acknowledged authority on the U. S. farm economy.

As an additional special feature, the Young Men's Activities Committee—which is fast gaining recognition, membership-wide, for its provocative and unusual offerings—has come up with something quite different. It will sponsor, on Tuesday afternoon, November 4, an exceptionally interesting session devoted to a better understanding of the operations of the Federal Reserve System. The session will be conducted by Edward Wayne, first vice president, and George W. McKinney, Jr., assistant vice president, of the Federal Reserve Bank in Richmond, Virginia.

Convention Speakers


Wm. A. Lyon


Samuel E. Neel

Chicago: A Dynamic and Friendly City!

There is something different about Chicago. Its friendliness rings with sincerity. No matter where you hail from you will find your own kind of folks. That's why this year it expects to play host to more than 12 million visitors and why for more than a generation it has been the undisputed leader of convention cities of the nation.

Certain spots on the globe were meant by destiny to occupy key positions no matter what the change in civilization or the new twists in man's developments with their attendant results on his habits. One of these is Chicago!

Its great pulling power is its well-rounded combination of talking points. Not only is it ideally located as the nation's center of all forms of transportation, but at the hub of major commerce and industry. No other large city is as close to the country's geographical and population centers.

With its city population near 4 million and its metropolitan family of 6 million, Chicago must be content to rank as America's second largest metropolis, but there are few other communities that boast more "firsts."

Industrially, Chicago bows to no other city in the history of civilization in range of products or immensity of output; it is this variety of productive activity that has protected Chicago's economy in good times and bad. In wholesaling and distribution, too, metropolitan Chicago is a standout. Sales by its 12,300 firms have been averaging about $17 billion a year. It is the greatest food market in the world; it reports more post office income than any other city; it is sixth ranking among the ports of the United States. Another of the newer "firsts" attained by Chicago is leadership in steel production.

In financial affairs, too, Chicago is second only to New York. Two of its banks are among the country's ten largest and four others are not far behind. Likewise, the Midwest Stock Exchange becomes an increasingly more substantial factor in keep-

(Continued next page, column 1)

MBA 1958-59 Officers to be Elected; Walter C. Nelson Heads Nominees

True to tradition, our annual Convention will bring with it a change in administration, when President John C. Hall turns over his gavel of office—and all the duties and responsibilities inherent therein—to his successor.

Walter C. Nelson

B. B. Bass

Robert Tharpe

Perry S. Bower

Official nominee for president, for the 1958-59 term is Walter C. Nelson, president of the Eberhardt Company, Minneapolis. In assuming office, Mr. Nelson will become the 40th man to head the Association since its organization in 1914. Coming into office with him will be the official nominee for vice president, Boylston B. Bass, president of the American Mortgage and Investment Company, in Oklahoma City.

Robert Tharpe, president, Tharpe & Brooks, Incorporated, in Atlanta, has been nominated for election as second vice president, a newly created post in the line-up of MBA national officers. Perry S. Bower, vice president and treasurer of The Great West Life Assurance Company of Winnipeg, is slated for reelection as treasurer of the Association.

The election of officers is scheduled for the Association's annual business meeting, Tuesday morning, November 4. Other items of business will include the election to the board of seven new governors for terms ending in 1962, as well as seven regional vice presidents and eight associate governors at large. Also, the annual MBA Distinguished Service Award will be presented.

Events for the Ladies; Opening of Club MBA

For the ladies, too, there will be a full schedule of special events, starting off on Monday, November 3, with an afternoon tea in the Grand Ballroom of Chicago's famous Palmer House Hotel. An outstanding, nationally familiar figure of the entertainment world will be featured.

And on Tuesday, there will be a special ladies' luncheon and fashion show in the smart Boulevard Room of the Conrad Hilton. One of Chicago's leading department stores, Carson Pirie & Scott, will feature the very latest in styles and fashion trends. All ladies registering for the Convention are invited to attend the tea and will receive a ticket for the luncheon and fashion show.

The ladies will enjoy, too, the Convention's principal social event

—Wednesday evening's opening of Club MBA—a traditional affair at which everyone gets together. Entertainment, a full hour's offering, is being planned on a bigger scale than ever and will be under the able production of Clint Noble, who has presented many such shows for MBA audiences in the past.

Seating capacity of the Conrad Hilton's Grand Ballroom is limited to 1,500—a number, unfortunately, far short of the anticipated overall total of Convention registrants. No tables will be reserved. Tickets, at $10 each, are being sold in advance. A letter giving full particulars has been sent to the membership.

Good Food and Top Entertainment Await Those Coming to Chicago

New York may be known for its great number of highly rated eating spots and San Francisco for the rare dining treats and colorful atmosphere of such places as Trader Vic's and the elegant Garden Court at the Sheraton Palace, but for all-round *good* food, plus just enough flair and dash, you'll go far to outdo Chicago.

Where in the world can one enjoy more fancy food, under such awe-inspiring surroundings, than in the internationally famed Pump Room, right in the center of Chicago's fabled Gold Coast neighborhood? And for superb sea food and nautical atmosphere, the Cape Cod Room is another "must." For those who like continental foods, truly reproduced with convincing old world decor, there is the Red Star Inn, a Chicago landmark with tempting German dishes; and Jacques, with its fine French menu items.

Nor should one overlook the better known "name" dining rooms of the larger hotels: the Empire Room of the Palmer House, the Polynesian Village at the Edgewater Beach, the Boulevard Room at the Conrad Hilton, or the Sheraton-Blackstone's Bonaparte Room with its Napoleonic splendor.

For those who like Polynesian and Oriental specialties, there is exotic Don the Beachcomber's. In Chicago's Chinatown, with its own Chinese temple and tong-managed city hall, the oriental flavor becomes even heavier. World-famous Kungsholm, with its smorgasbord specialty and

CHICAGO: DYNAMIC

(Continued from page 35)

ing the economic wheels of the nation humming. Among the city's proudest assets is its leadership in higher education as well as its accomplishments in research; it attracts students from all sections of the globe, and particularly post graduate scholars.

Those who know the history of the modernization of America's cities are familiar with the famous Chicago Plan. This foresighted system for big metropolitan development, copied throughout the world, is now being duplicated in another sweeping community face-lifting.

puppet grand opera theatre; the Sirloin Room at the Stock Yards; the College Inn Porterhouse in the Hotel Sherman; the highly respected Well of the Sea; the Swiss Chalet of the Bismarck Hotel; Barney's Market Club, with its sawdust-covered floors: these are all eating establishments certain to be underlined in any gourmet's little black book.

No matter where you are in Chicago, what you want to eat, or how much you can afford to pay for it, there is always a good restaurant just around the corner.

And having dined well, you need never be at a loss for an evening's entertainment: Chicago will take care of you in a big way. No other metropolis is as fun loving. Its night clubs and "hot" music spots run at full capacity; such renowned entertainment bailiwicks as the Chez Paree, the Empire Room, Mister Kelly's, etc., consistently feature top luminaries of the entertainment world.

Too, whenever you arrive, there is almost certain to be some headline athletic event on schedule. And, if it's higher-browed entertainment you seek, where else can one enjoy as varied and top-rated a group of museums, galleries and cultural institutions?

Yes, no matter what your expectation, you'll find Chicago the last word in hospitality and entertainment.

MBA Committees and Governors Will Meet

Also, during Convention week, the Association's full complement of 26 national committees will be meeting—presenting, as always, an integral and vital part of each annual Convention. They will formulate policy and plan their work schedules for the year ahead. A great amount of serious thinking and conscientious effort goes into these meetings and from their work accrues much of benefit to all members.

MBA's Board of Governors, likewise, will be meeting: the final session of the 1958 Board will be on

Theatre Calendar

Theatre-wise, Chicago will have available for you in November, the internationally acclaimed "My Fair Lady," and the hysteria-provoking "Auntie Mame." Among the outstanding screen attractions will be the delightfully nostalgic "Gigi." Remember, too, the world-famed Chicago Symphony Orchestra, and the exciting Lyric Opera with such celebrated voices as Renata Tebaldi, Giuseppe Di Stefano, Mario Del Monaco, Eleanor Steber, Eileen Farrell and a host of others.

Exhibitors to Show Items of Interest

This year will be the 19th for MBA's annual exhibit for companies and organizations whose products and services have a relation to building and the financing of building. Participants in the 1958 show will include International Business Machines Corporation; Wonder Building Corporation of America; U. S. Steel Homes, Division of United States Steel Corporation; Westinghouse Electric Corporation, Electric Appliance Divisions; Burroughs Corporation; Financial Publishing Company; Copease Corporation; Remington Rand; National Cash Register Company; Southern Statistical Company; Friden, Inc.; Portland Cement Association; York Tabulating Service, Inc.; General Electric Company, Major Appliance Division; The Thyer Manufacturing Corporation and The Don Harold Company.

One of the particular features of the Exhibit will be the emphasis on machines, products and services aimed at speeding up and modernizing loan servicing. Everything new in mortgage loan servicing will be on display and members who have servicing problems will find the Convention an excellent time to find the answers.

Saturday, November 1, preceding the actual start of the Convention itself. On Thursday afternoon, November 4, a luncheon for all 1959 officers will be followed by the first meeting of the new 1959 Board of Governors.

GO COMMERCIAL

(Continued from page 32)

keep promises.) Is the lease a sound one? What is the quality, quantity, and durability of income flowing from the lease; and what provisions are made for payment of taxes, insurance, maintenance, condemnation, renewal, complete destruction, etc.?

What rent or interest does a competitive investment have to pay in the market on money invested to the extent of two-thirds of value? (I use two-thirds since it is the most widely accepted yardstick of loan to total value.) Are foreclosure laws equitable in the particular state or do they penalize the lender? Some state laws definitely protect the lender. What of ad valorem taxes, zoning and other government powers?

An understanding of these factors, among others, is vital to the proper analysis and presentation of any commercial loan. The unearthing, the development and the weaving together of final findings is fascinating beyond your dreams; it is a complete education within itself. The people you meet, the places you see, the uses of property, the products made and sold, the services offered can give you an appreciation and view of facets of life you otherwise would never sense.

It is easy to talk about the secrets of value and underwriting, but it takes years of exposure to the market to develop a sound basis for judging values. Anyone now working in the appraisal field knows this to be a fact.

Assuming you have worked hard and have developed an understanding of how and why people determine certain properties have certain values, you then need to put this knowledge to use. This leads to production, to the actual generation and control of business. You are on your own which requires an aggressiveness not often needed in many vocations. You're really competing for the "deals" now. You might compete by offering service which we like to do most of all; but then you might have to compete on rate, loan amount, terms of loan or other conditions. Regardless, you cannot let up—not if you are after the best loans available in your area.

For those eager to start in this business, I recommend that initially you broker commercial loans. Start first with a general use warehouse, retail store or apartment house. Develop a complete presentation which will enable your prospective investor to visualize the property. Gather and present the honest details. Frankly, I think part of our success stems from giving the investor all of the information available which will provide him a basis for a final judgment which is likely to be right. True, some reports are too long; often though they are too short.

Brokering loans can provide an immediate source of income; and, of greater importance, it can lead the way to more business. After all, nothing succeeds like success. When you work out a hard one for the local realtor, investor or builder, you can be pretty well assured he will give you a shot at another case.

Being creative, using your imagination, having a real desire to serve and getting out after the business, can create a reputation which will ultimately assist you in getting some investors and servicing. You need both and don't forget it! I am of the opinion that we mortgage correspondents often provide a service, the importance of which is sometimes overlooked. A good correspondent is dedicated to repeat business and is more likely to try to use imagination and creativeness in order to work out a case. I think a good correspondent endeavors to generate good will for his investors. These things are important to the prudent lender. If you really get out and hustle and develop into a producer of good loans, some investor will have a need for you and your services.

We generally work on loans of $100,000 and up, although we serve our clients first if it is at all possible. In other words, to get the good loans it is sometimes necessary to work out the marginal ones.

Servicing is not the big problem it can be for the company with many small loans on its books. Generally our loans are larger; and we do not collect escrow deposits covering taxes and insurance, which further simplifies servicing. (This doesn't necessarily indicate that I concur with this practice in every respect.) Payments are put on a quarterly basis whenever possible.

It is argued that the commercial loan production is not as consistent as the residential. But over the long pull, through planning and hard work, you can keep as busy — or busier — and make just as much money as in other phases of our industry.

This brings into focus the vital need to separate the good loans from the bad, the reasonable from the unreasonable. This is the toughest job, particularly when the prospective borrower is one of the most charming and influential leaders in your community, and more than that, a source of much business. It's hard to turn him down and even harder or a greater challenge to rise to the heights where with renewed strength and complete inspiration you sell him on the reality of a lesser loan, a higher rate, or both.

In a day's work or longer, since a good submission takes a couple of days, you might work out financing of a new plant for processing steel, chickens or cap pistols; or the financing of a junk yard—a grocery—a new office building—a department store—hotel—or even an airport. And, so, I can only repeat what I said in the beginning — YOUNG MEN, GO COMMERCIAL!!

» GAIN IN RENTAL UNITS: While single-family homes still dominate the residential building picture, multi-family rental type units have been showing a significant increase since 1956, according to data on housing starts compiled by the U. S. Department of Labor.

The figures show that approximately one out of every six nonfarm homes started last year was either a two-family structure or an apartment building. The number of such units started increased to 169,200 in 1957 from 128,400 in 1956, while the number of one-family home starts declined to 872,700 from 989,700.

Though the improvement is still continuing this year, construction of rental type housing units is still relatively low by past standards. Data for the period prior to the mid-Twenties show that multifamily structures made up from 25 to 40 per cent of all nonfarm home starts during most of those years.

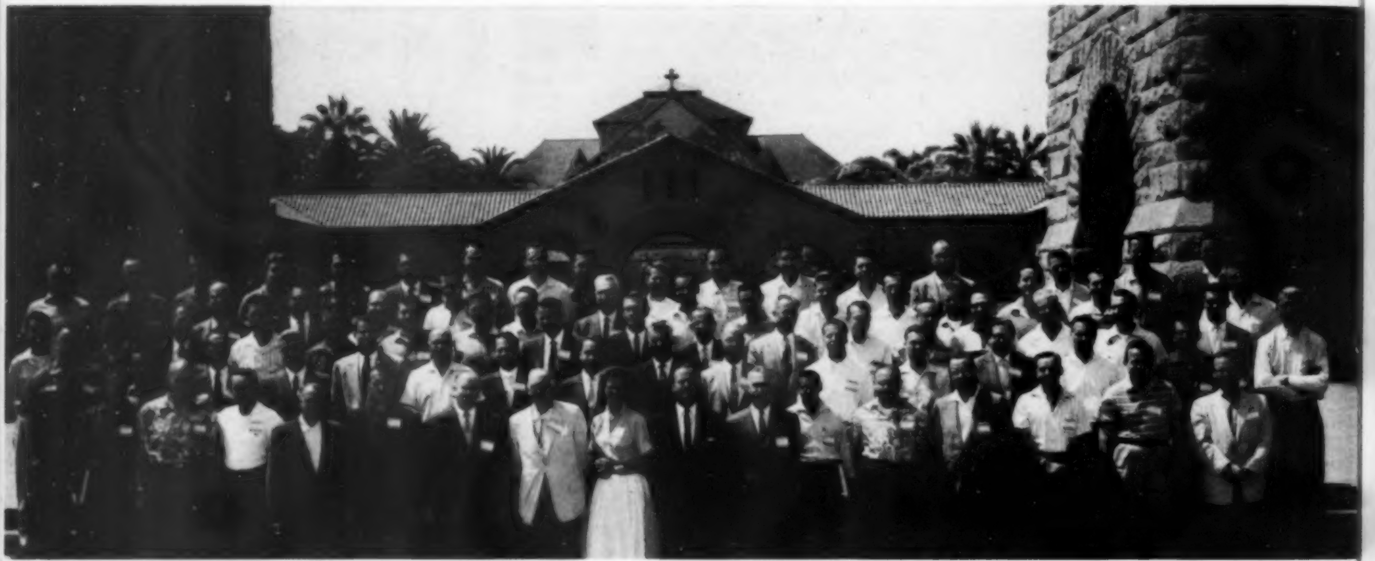
THE SCHOOL OF MORTGAGE BANKING

1958 Edition, Courses I and II at Stanford University

Attendance this year, in Courses I and II, at the MBA School of Mortgage Banking at Stanford University was up slightly over last year's figure —a total of 73 in Course I and 55 in Course II. Combined with the record attendance of 324, set by Courses I, II and III at the Northwestern University sessions, held in June, this adds up to an all-time total high of 452.

In Course I the 73 students came from 12 states and Hawaii and represented 61 different companies in some 36 cities. The 55 students making up Course II, likewise, came from 12 states and represented 41 companies in 31 different cities.

Statistic-wise, these figures in themselves should—and do—point up the dramatic progress made by MBA's school program in its continuing upward surge toward full maturity and national recognition. But even more importantly, it reflects the confidence and endorsement of the industry's top leaders and provides ample proof that mortgage banking is, indeed, an industry of dynamic appeal and one which continues to offer incentive and challenge.



Comprising this year's record registration in the MBA School of Mortgage Banking at Stanford University, these 125 students take time out from their lecture and study sessions to pose in the California sunshine. Course I is shown above; and below is Course II. Those completing Course II this year will complete the curriculum by taking Course III next year at Northwestern University, since it is not being given at Stanford. Of this year's 115 graduates, 37 attended Courses I and II on the Stanford campus.

» OPENING DINNER: Course I, speakers' table (from left) Dr. Theodore J. Kreps, professor of business economics, Stanford; MBA Director of Education Lewis O. Kerwood; MBA Vice President Walter C. Nelson; D. Clair Sutherland, vice president, Bank of America, NT & SA, San Francisco; Dr. Carlton A. Pederson, associate dean, Stanford School of Business Administration; Dr. Homer V. Cherrington, professor of finance, Ohio University; Dr. Herbert E. Dougall, professor of finance, Stanford. Then: Mrs. Walter Nelson; Roger C. Olson, East Bay Mortgage Service, Inc., Oakland; R. C. Larson, C. A. Larson Investment Company, Beverly Hills; Mrs. D. Clair Sutherland; Walter C. Nelson, Eberhardt Company, Minneapolis; Mrs. Rome Moretti; D. Clair Sutherland; James Nelson; G. C. Pettygrove, Penn Mutual Life Ins. Co., Oakland; L. O. Kerwood. Middle tier, left: D. Grey Found, Metropolitan Mortgage Corp., Los Angeles; Donald W. Ferguson, Percy H. Goodwin Company, San Diego; Laurens R. Massey, Percy Galbreath & Son, Inc., Memphis; Walter L. Henderson, Jr., W. H. Fraser Mortgage Company, San Diego; Don

McClure, Prudential Mutual Savings Bank, Seattle; Howard G. Lawver, Coast Mortgage & Investment Co., Seattle; J. D. Greene, Pacific Mutual Life Ins. Co., Los Angeles; Margaret Huelsbusch, McMillan Mortgage Co., Los Angeles. In next photo: Robt. H. Looman, The Wheeler Kelly & Hagny Investment Co., Phoenix; Russell W. Zinn, same firm, Wichita; Robt. B. Rhinehart, Bank of America, NT & SA, Stanford; Owen S. Davies, Palomar Mortgage Company, San Diego; Edwin G. Cook, Fanning Starkey Co., Tacoma. In first photo below: Dean Ernest Arbuckle, Stanford Graduate School of Business, welcomes group to Course II. At his left, Willis R. Bryant, Bryant-Johnson Mortgage Co., San Francisco; Walter Nelson, at his right. Final photo: Garrett Butler, First Continental Mortgage Co., Houston; Wm. N. Morris, T. J. Bettes Company of California, Los Angeles; Celina Rabal, Security National Bank of Long Island, Huntington; C. Jack Schleuning, The Richard Gill Company, San Antonio.

★ Servicing Tips from the Top ★

A monthly department about Mortgage Loan Servicing conducted by W. W. Dwire, Citizens Mortgage Corp., Detroit, and member, Mortgage Servicing Committee

"Key Sort" and "Lendix" Combine in Escrow Account Analysis

I AM sure that you have heard of and have possibly seen the Lendix Escrow Analyzer marketed by York Tabulating Service, Inc. We have purchased this equipment and it is now in use in our regular escrow audit procedure. We have introduced a new twist of our own, for instead of using it in connection with the specially prepared adding machine tape, we use a specially designed 6"x9" key sort card. This card is sortable into the various categories necessary to complete an audit procedure. It shows the month in which the audit is to be made each year, the investor code, loan number, etc. It can be sorted into ledger sheet order so that disbursement and balance information can be obtained and transcribed on to the card and so that information about changes that may be coming up in hazard insurance, special assessments and the like can be noted.

One girl then takes these cards to the Lendix, completes the audit, and by means of a code, indicates the action to be taken. Those that require no action are returned to file; those that require some action with the mortgagor, such as payment change, an excess or deficit, have a letter written and then are returned to file. They are filed in our loan number order. Between escrow audits, the cards are available for reference when a customer calls and asks the status of his escrow account. Rather than pull the file, the ledger sheet or make another audit, the card is pulled and the contact handled. We believe the card is perferable to the special tape because it is designed to give us 12 annual audits on one record and because it is available for discussion with the mortgagors.

We also use a pre-amortized cashier card covering a two year period. The preparation of these cards is staggered so that 1/24th of the total portfolio is made new each month. The date of the escrow audit is tied in with the preparation of these cards so that if a change in payment is necessary it would be known before the new payment card is prepared and mailed to the mortgagors.

Contributed by:
R. M. Karns, Vice President
Home Mortgage and
Investment Company
Oklahoma City

Exchange of Ideas Can Be of Help to You

Experience has proven that it is possible to employ many *different* methods in the solution of any *one* specific servicing problem. Thus, it is this department's purpose to disseminate among all MBA member firms those progressive ideas found workable by others. It supplements, too, the servicing consultation reviews conducted by the MBA Servicing and Accounting Department.

Consultations are arranged primarily on a regional basis and in the past year the servicing itineraries have included MBA regions 1, 3, 5, 6 and 11. Over 60 companies were visited; and, in addition, special consultations —and consultations in conjunction with planned meetings—have been arranged in all other MBA regions.

"Key Sort" Receivable Cards

WE are servicing under $20 million in mortgages; and certain cashiering procedures presented a bottle-neck until we adopted the use of a Royal McBee key sort receivable card.

These cards are prepared monthly from addressograph plates and are a four part snap-off form. The form shows the name and mailing address of the mortgagor, amount due, late charge effective after the 15th of the month and the due month and year. The original copy constitutes an official receipt when dated, the second copy is used as a reminder notice, the third copy serves as a delinquent invoice and the fourth copy (on card stock) constitutes a source document for machine posting and is then filed as a permanent record.

The forms can be key sorted by type of loan, investor code, due month, loan number, etc. and facilitate greatly the posting and preparation of remittance reports, statements of arrears, statements of prepayments and other monthly reports and analyses.

We have also found the use of a clearing account for daily cash receipts is of great benefit and recommend its many advantages to other small servicers.

Contributed by:
Mrs. Lorraine R. Phillips, Treasurer
Mobile Mortgage Corporation
Mobile

Help Yourself .... and Help Your Investor ....

By ordering any — or all — of these forms and booklets which your Association is pleased to make available to you.

Residential Appraisal Report for Conventional Loan: Newest addition to MBA-standardized forms, it conforms in size and style with the real estate loan application form introduced a year ago and includes all major items of information required by investors. Your investor will appreciate its convenience. Room at the top is allowed for imprinting — your own firm name, or perhaps the name of the appraiser. Available in pads of 100. Prices, including imprinting, are:

100	$ 4.50	500	$17.00
300	$11.00	1,000	$29.00

Application for Real Estate Loan: Its concise yet complete contents make it the standard loan application long needed by our industry. It continues to gain in widespread usage. Designed to eliminate as much duplication as possible, it is concerned primarily with terms and conditions of the mortgage, with sufficient property and borrower description to identify the appraisal and credit reports. Available in pads of 100. Prices, including imprinting, are:

100	$ 4.00	500	$16.00
300	$10.00	1,000	$28.00

Personal Financial Statements: An indispensable aid and one which will provide both you and your investor with concise, orderly financial information on your borrower. Available in pads of 100. Prices include imprinting of firm name and address:

100	$2.50	300	$ 7.50
250	$6.25	500	$12.50
1,000	$19.00		

FHA Payments at a Glance: Newly revised as of April 1, this newest edition includes a brand new section with down-payment requirements. Every mortgage company making FHA loans will find this book of great help — and placing a copy in the hands of every FHA borrower will be good business. Have your firm name imprinted on the cover. Costs are:

Less than 100	35c each	1,000	$190
100	$ 29.00	2,000	$320
300	$ 78.00	3,000	$450
500	$115.00	Imprinting	$4.00 Additional

MORTGAGE BANKERS ASSOCIATION OF AMERICA
111 West Washington Street, Chicago 2, Ill.

Please send me:

______Copies of the Residential Appraisal Report for Conventional Loan Cost:______

______Copies of the Application for Real Estate Loan Cost:______

______Copies of the Personal Financial Statement Cost:______

______Copies of FHA Payments at a Glance Cost:______

My check in the total amount of ______ is enclosed.

The imprinting I want (on booklet cover please limit to firm name, address, telephone number and short message totaling not more than five lines; on forms please limit to name and address) is: ____________

These materials are available to MBA members only.

Houston Mortgage Bankers Elect

M. F. Griffin, vice president, American General Investment Corporation, is the newly elected president of the Houston MBA. Also elected were: vice president, Donald McGregor, executive vice president, T. J. Bettes Company; and secretary-treasurer, C. T. Traylor, Jr., president, Union Mortgage & Investment Co., Inc.

New directors include: W. H. Crane, vice president, American Mortgage Company, and A. A. McMullin, vice president, Hodell & Co., for term expiring 1959; Garth Bates, president, Realty Mortgage Company, and T. O. Taylor, vice president, Texas National Bank, for term expiring 1960; W. H. Chalmers, W. Cecil Sisson Mortgage Company, and Jack Lee, vice president, W. M. Wright Co., for term expiring 1961.

In photo above, Mr. Griffin is shown front row center; Mr. Traylor is at left and Mr. McGregor at right. In second row, directors A. A. McMullen, Garth Bates, Jack Lee and W. H. Crane.

Mr. Griffin, who succeeds A. L. Raney, executive vice president, Mortgage & Trust, Inc., has been with the American General Investment Corporation for the past 19 years. Prior to that he was with the Federal Land Bank and the Home Owners Loan Corporation. He has been active in local real estate and building for 20 years. He is a member of the Texas MBA, the Mortgage Bankers Association of America and the Houston Home Builders Association.

MBA Group Hears Real Estate Economist

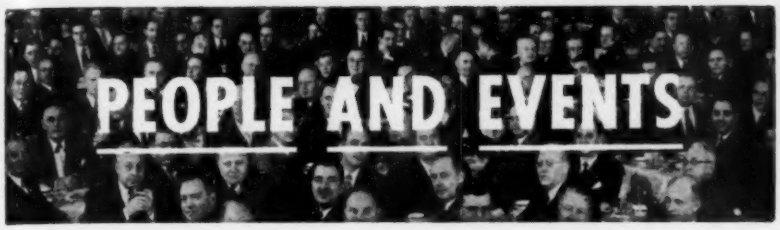
James C. Downs, Jr., one of the nation's foremost real estate economists, was the guest speaker at the August dinner meeting of the California Mortgage Bankers Association. John J. Lyman, president of the local group, presided over the meeting. Mr. Downs is chairman of the Real Estate Research Corporation of Chicago and the Western Real Estate Research Corporation of Los Angeles. He is a senior partner of Downs, Mohl and Company, one of America's largest management firms.

Films Featured by San Diego MBA

Film showings highlighted the July meeting of the San Diego MBA. Presented by David Schurch of the Union Title Insurance and Trust Company in San Diego, the films dealt with "How Land Is Located and Described," and "How Real Property Is Encumbered." The program was of tremendous educational value to the newer and younger personnel in the mortgage field and provided a good review for the more experienced members. A question and answer period followed.

Joseph W. Nelkin has been named vice president of First Continental Mortgage Company, Houston, it was announced by **Garrett Butler,** president. Mr. Nelkin will handle the company's government insured mortgage loan operations. He was for three years the insurance program advisor for FHA offices in Texas, Louisiana and Arkansas. In this capacity he interpreted and implemented national housing policy in the Southwest. He has taught courses in FHA procedure in Texas and Arkansas.

Jos. W. Nelkin



Jack Carter, who for many years was staff director of the Housing Subcommittee of the Senate Banking and Currency Committee, has resigned to become vice president of the Lee Development and Construction Company in Jackson, Alabama.

Richard A. Griswold has been elected president of the City-Wide Mortgage Company, Kansas City, Mo., it was announced recently. He succeeds **Dorr H. Carroll, Jr.,** who has resigned. Mr. Griswold was vice president of the firm for the past 3½ years, engaged in loan production and sale of mortgage loans to national investors. He is a graduate of the MBA School of Mortgage Banking. City-Wide Mortgage was incorporated in 1950 by **Raymond S. Hodge,** present board chairman, and is now servicing mortgages for 20 investors in the Missouri and Kansas areas.

Milton Dornbush, president, Colonial Group, Inc., New York City, announced two recent promotions: **Joel T. O'Hern, Jr.,** formerly assistant secretary in the firm's Norfolk office, is now assistant vice president, retaining the office and duties of assistant secretary; **Alfred R. Marcks, Jr.,** of the Washington, D. C., office, has been made an assistant vice president.

Robert H. Bolton, president, Rapides Bank and Trust Company, Alexandria, La., has been appointed a member of the advisory committee of the National Association of Supervisors of State Banks, an organization composed of all the state bank commissioners in the nation and of other bank supervisory officials. It includes some 1,800 chartered banks, representing 46 states, Hawaii and Puerto Rico. The advisory committee, composed of representatives from each Federal Reserve District, represents the association's member state chartered banks. Mr. Bolton was selected to represent the 6th Federal Reserve District.

Robt. H. Bolton

The appointment of **William S. Smith,** Waterloo, Iowa, as president of Housing Credit Corporation, Richmond, Indiana, was announced recently by **Charles F. Travers,** chairman of the board. Mr. Smith, previous to his new position, was with the Peoples Bank and Trust Company in Waterloo, as manager of the mortgage loan department. He is also, formerly, a Waterloo zone manager for Investors Diversified Services of Minneapolis.

In announcing the appointment, Mr. Travers stated that Housing Credit Corporation was launching a new and broadened program of financial aid to builders of Richmond Homes, Inc., of which he is president. The new program includes increased construction loans, model house financing and expansion of permanent loan funds.

Bishop Trust Company Limited has been appointed mortgage loan correspondent in Honolulu for the Mutual Benefit Life Insurance Company. It will service FHA and conventional loans. **T. G. Singlehurst,** vice president and treasurer, of Bishop Trust, and **C. J. DeVault,** vice president and manager of the real estate and mortgage loan department, will be in charge of mortgage loan placing and servicing. Bishop Trust Company, incorporated in 1906 to take over the trust business of Bishop and Company, has assets totaling over $8 million.

Benjamin Levinson, president of Franklin Mortgage Corporation of Detroit, organized early this year, has organized Columbia Investment Corporation to make available interim construction money to borrowers. Franklin Mortgage is now servicing more than $22,000,000 in FHA and GI loans. Mayor Miriani of Detroit is one of the directors of Columbia.

Estess Stonewall Bass has been appointed servicing manager of the Peninsula Mortgage Company, San Carlos, California, **Louis F. Rosenaur,** president, announced recently. Mr. Bass, previously, had been associated with the T. J. Bettes Company and other San Carlos area institutions.

Harold F. Whittle, president, H. F. Whittle Investment Co., Los Angeles, was honored recently at a testimonial luncheon on his retirement after 18 years as president of the Los Angeles YMCA. It was announced that the "Y" would name one of its new camps, Camp Harold F. Whittle.

Service Club Listings

"Mortgage Banking," as a classification designation for members of service clubs—Rotary, Lions, Kiwanis, Exchange, etc.—is steadily gaining a more general acceptance at the local level.

In the past, no specific classification of "mortgage banking" has been listed by these service clubs, although all of them have carried a designation of "mortgages," "mortgage lenders" or some similar phraseology which would encompass a mortgage banking operation. No national effort has ever been made to bring about, officially, any change.

However, in recent years, some MBA members have effected this change within their own local clubs. Several years ago, **Brown L. Whatley** of Stockton, Whatley, Davin & Company in Jacksonville, Fla., acted to have his Rotary classification changed to the specific designation of "mortgage banking." And, just recently, **J. Conrad Zimmerman,** of Stevenson, Zimmerman & Co., North Charleston, South Carolina, who is a member and director of the Charleston Rotary Club, acted to have his classification changed. As a result, a recommendation by the Charleston Club was made to Rotary International and acted upon favorably.

In checking the currently prevailing views of these service clubs' headquarters offices, your Association has learned that the official lists of classi-

fication designations, as maintained by them, are not mandatory and are intended merely as guides for the local chapters. Because occupations in local areas differ so much from one section of the country to another, no attempt is made by the national headquarters to keep their lists up to date with specific exactness concerning business affiliations of members.

A great deal can be accomplished—in a public relations way—for the mortgage banking industry, if MBA members holding membership in these service organizations can secure for themselves, in their local chapters, the accepted recognition of the classification designation of "mortgage banking." MBA members newly filing for admission to such service clubs should use the designation "mortgage banking" in their applications. If the individual chapter complies, and if it is used wherever appropriate in the activities of the club, that designation will become accepted and well known in a relatively short period of time. This will all be of great benefit in increasing the general awareness of the public to the mortgage banking business.

The official promotions of **Donald M. Goodyear** and **Harley H. Kight** to mortgage secretary have been announced by **John L. Cameron,** president of The Guardian Life Insurance Company of America. Mr. Goodyear has been a member of the Guardian's mortgage department staff since 1928. He was named head of that department in 1946 and appointed to the company's official staff as assistant mortgage secretary in 1947. Mr. Kight, who joined the firm in 1937 as a technical assistant of engineering and construction work, was appointed an assistant mortgage secretary in 1950.

W. Walter Williams, United States undersecretary of commerce, and Mrs. Darwin Meisnest, Seattle, Washington, were married recently. Mr. Williams is a past president of MBA.

The appointment of **R. Allan Russell,** as eastern sales manager for the sale of VA and FHA mortgages, has been announced by the Michigan Mortgage Corporation.

Sherwood & Roberts, Inc. has announced the transfer of **J. David Clancy** to the head office of their mortgage loan department at Walla Walla. As loan officer, Mr. Clancy will supervise mortgage lending activities throughout the Columbia Basin area, Wenatchee and Spokane. He will also assist the home office force with lending activities in the Walla Walla area.

PERSONNEL
AND BUSINESS NEEDS

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

MORTGAGE MAN WANTED

Exceptional opportunity in branch office of established mortgage company for man capable of originating new business on residential conventional FHA & VA loans. Location: Charlotte, North Carolina. State background, experience, salary desired, and availability first reply. Write Box 505.

MORTGAGE EXECUTIVE AVAILABLE

Presently on home office staff of large New England insurance company. Desire position with Mortgage Company or Insurance Company in Midwest, Southwest or West. Eleven years experience in solicitation, processing and servicing of FHA, VA and Conventional loans. Considerable experience with commercial loans and purchase-lease transactions. Good education. Best references. Write Box 506.

Wanted: MORTGAGE LOAN OFFICER

Long established, highly rated progressive Los Angeles loan correspondent has unusual opening for man experienced in commercial, industrial and residential lending with good appraisal background. If you are ambitious with sound ability and experience we invite your inquiry. Send resume to Box 508.

EXPERIENCED REAL ESTATE BROKER

Real Estate Broker and Appraiser—would like to become associated with Mortgage Company. 8 years experience, also FHA and GI Fee Appraiser. Age 30, married, 3 children, will relocate. For resume and photo write Box 509.

MORTGAGE MAN AVAILABLE, five years experience FHA/VA processing, closing, servicing, sales. Will relocate. Write Box 510.

Through these Portals
pass experienced title men and women furnishing service to mortgage bankers.
In 21 states and Canada, Minnesota Title representatives offer the same high standard of service. May we serve you?
TITLE INSURANCE COMPANY
OF MINNESOTA
400 2nd Avenue South, Minneapolis 1, Minn.
FEderal 8-8733
Capital, Surplus and Reserves in Excess of $4,000,000.
ARKANSAS FLORIDA GEORGIA KANSAS
KENTUCKY LOUISIANA MINNESOTA MISSISSIPPI
MISSOURI MONTANA NEBRASKA NORTH CAROLINA
NORTH DAKOTA OHIO SOUTH CAROLINA
SOUTH DAKOTA TENNESSEE UTAH WEST VIRGINIA
WISCONSIN WYOMING CANADA
TITLE INSURANCE
BUILDING
400
400